Independent Study of

Redevelopment in Long Beach

CONSOLIDATED FINAL REPORT
VOLUME 1: TASK REPORTS

Prepared For:

The Long Beach Redevelopment Agency

As of:

May 31, 2005

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INDEPENDENT STUDY OF REDEVELOPMENT IN LONG BEACH, CALIFORNIA

CONSOLIDATED FINAL REPORT, VOLUME 1

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INTRODUCTION

1. **The Independent Study of Redevelopment in Long Beach**

In the fall of 2004, a consulting team made up of Clarion Associates, Waronzof Associates, Consensus Planning Group, Jeanette Launer, and Donald Nollar was retained by the Long Beach Redevelopment Agency (LBRA) to complete an Independent Study of Redevelopment in Long Beach. The work was organized into the four tasks described below.

Task 1--Project Initiation, involved extensive stakeholder interviews, the design of a public participation program, and the creation of Definitions of Success to guide the Independent Study.

Task 2--Measuring Performance in Long Beach, included eight case studies of LBRA projects reflecting a wide spectrum of projects and both positive and negative experiences. The case studies reviewed project selection, financial performance, timing, public involvement, and internal LBRA management. Although theses studies acknowledged numerous areas of strength within the LBRA, discussion focused on areas in which performance could be improved. The eight case studies chosen covered the following projects:

- Los Altos Shopping Center;
- Wrigley Market Place;
- Renaissance Walk;
- CityPlace Shopping Center;
- The Promenade;
- Daryle Black Park;
- East Village Arts Park; and
- Burton Chase Park.

Task 3--Comparing Long Beach to Other Experience, compared some of the areas for possible improvement in the LBRA with experience in five comparison cities. The goal was to identify how other cities may have addressed challenging areas of redevelopment, to identify "Best Practices" for the LBRA, and to compare LBRA performance against these Best Practices. The five comparison cities included:

- Oakland, California;
- Pasadena, California;
- Sacramento, California;
- San Diego, California; and
- Portland, Oregon.

Task 4--Moving Towards Best Practices, concluded the Independent Study by discussing high visibility issues, identifying specific actions that should be taken to implement the Best Practices, and recommending a prioritized Action Plan to address areas for improvement.

2. **City Council and Public Involvement**

Throughout the Independent Study process, the LBRA Board emphasized to the Clarion team the need for significant interaction with the City Council and maximum outreach to the Project Area Committees and the public possible within the project budget. As a result, a series of three joint City Council/LBRA Board study sessions were conducted on March 23, April 21, and May 12, 2005. Each work session included a status report on the Independent Study effort, and two of the three included discussions on key topics such as LBRA debt to the City and LBRA eminent domain and relocation policies.

In addition, the Independent Study Team prepared and implemented a *Public Participation Plan* to ensure that opinions and comments were solicited from both the Project Area Committees (PACs) and those members of the public that are not involved in PACs. Between February and May, 2005, a series of three community-wide Open Houses and four area-specific Round Table meetings were conducted, and presentations were made to two of the three PACs and one neighborhood association. Approximately 800 written invitations and 150 e-mail invitations (to both groups and individuals) were issued to the two Open Houses, and 294 invitations were issued for the neighborhood Round Tables. Attendance at public outreach events totaled 156 persons. In addition, an Independent Study web site was created at www.longbeachrda.com, and was undated approximately weekly. Key documents were translated into Spanish and posted on a Spanish language portion of the web site.

3. **Definitions of Success**

An Independent Study of performance must be related to some benchmark of success. In order to establish a benchmark for LBRA performance, the Independent Study Team developed draft *Definitions of Success* and then refined those definitions in response to comments received. The resulting *Definitions of Success* are set forth below.

- **Improving Quality of Life in Long Beach (Economic and Social Impacts)**
    - o <u>Removing Blight</u> – The design and development of projects should address both the physical and economic causes of blight, as defined in California statutes.
    - o <u>Promoting Economic Development</u> – The design and development of projects should result in substantial economic benefits for the city.
    - o <u>Providing Affordable Housing</u> – Redevelopment agency activities should provide substantial amounts of affordable housing, as required by California law.

- **Operating an Efficient and Effective Redevelopment Agency**
    - o <u>Project Selection and Prioritization</u> -- Projects should be selected and prioritized through a process that respects the wishes of the public while ensuring that redevelopment funds are used efficiently and maximizing the likelihood of success in achieving Quality of Life goals.
    - o <u>Timing of Project Approval and Completion</u> -- Projects should be reviewed, approved, and completed in the least possible time consistent with requirements of California law and an effective public involvement process, in order to reinforce the perception of Long Beach as a good place to do business.

       o   <u>Efficiency and Effectiveness of Agency Operations</u> -- The Agency should use available resources very efficiently and effectively throughout the project design, review, selection, and implementation processes.

       o   <u>External Communication and Public Involvement</u> -- The Agency should ensure that its procedures allow and encourage participation by all members of the public, convey clear and accurate messages to the public throughout project design and implementation, and reflect public desires into its project design and prioritization.

4. Completion of the Work

Between November 2004 and May 2005, the Clarion Team performed this scope of work and produced a series of documents documenting its findings and recommendations with linkages back to the Definitions of Success. Each of these documents was distributed in draft form simultaneously to the LBRA Board, the Long Beach City Council, the Mayor, and the City Manager, and was posted on the Independent Study web site. The key documents produced during the Independent Study effort included the following:

- **Detailed Case Studies of**
    - o Los Altos Shopping Center;
    - o Wrigley Market Place;
    - o Renaissance Walk;
    - o CityPlace Shopping Center;
    - o The Promenade;
    - o Daryle Black Park;
    - o East Village Arts Park; and
    - o Burton Chase Park.

- **Summary Documents**
    - o Task 2.2 Report: Review and Evaluation (of Case Studies)
    - o Task 3 Report: Comparison Cities / Best Practices Report
    - o Task 4 Report: Recommendations and Action Plan

5. Maintaining Focus

The Independent Study team was retained to perform an overall analysis of LBRA performance and to recommend areas for improvement. The scope of work called for the team to begin "narrow in" on specific areas of possible improvement over the course of the project.

The Team was aware that there has been long-standing tension between at least one of the PACs and the Agency board and staff. We were also aware that during 2004 the LBRA had issued a controversial report on the possibility of merging the seven project areas. However, we declined to make either of these issues the primary focus of our study, since the LBRA's Request for Proposals asked for a broad-ranging inquiry, and deciding on key issues before evaluating actual performance in redevelopment would defeat the purpose of the study.

Similarly, after the consulting team had been interviewed for the Independent Study effort, the Long Beach City Manager suggested that the City Council consider taking over

the responsibilities of the LBRA Board. The City Council held study sessions on this topic in December 2004, and we advanced our discussion of redevelopment agency governance structures in order to assist in this effort. Again, however, we declined to make governance the primary focus of the Independent Study.

Throughout this effort, the consulting team has considered questions about governance of the LBRA, the role of the PACs, and possible merger of project areas as only three of many different factors that contribute to Agency performance. A fourth, important consideration is the operation and internal management practices of the LBRA itself. Each of these issues is now discussed in more detail in the attached Task 4 report – not because they are the most important factors in improving LBRA performance, but because they have been the focus of much public discussion. Although improvements can be made in each of these three areas, changes in other "operational" aspects of the LBRA may be more important to improving performance.

6. General Conclusion

In general, the Independent Study Team concluded that the LBRA is performing its basic functions fairly well. Its projects reflect a track record of financial success, and the completed projects are generally popular with the citizens of Long Beach. At the same time, there are areas of weakness – particularly in public involvement, project timing, and internal Agency efficiency. However, specific steps can be taken to improve performance in these areas, and in some cases the LBRA is already moving to do so.

While there is no shortage of dissatisfaction with the LBRA, we believe that much of that dissatisfaction is based on misunderstanding of the respective roles of the LBRA board, the City Council, the City Manager, staff, the PACs, and the public in the redevelopment process. Improved definition of these roles and education of the public about these roles would go far to reduce this tension, and specific recommendations to do so are set forth in the Task 4 report.

A second source of dissatisfaction is the tension between the short-term and long-term needs of the City – the fact that fiscal pressures on the City have reduced funds available for immediate needs and have increased pressure to divert long-term investment monies to satisfy short-term needs. This tension is also being felt in most of the comparison cities, but we do not believe that it reflects a fundamental difference of direction between the City Council and the LBRA Board. Rather, it reflects the need for more regular and detailed interaction to agree on the appropriate balance between various types of redevelopment projects, and about the distribution of those projects throughout Long Beach. While this issue could be addressed through structural solutions (i.e., changes in governance structure or project area mergers), it could also be addressed through operational improvement.

As a fundamentally sound redevelopment agency, we recommend that the focus within the LBRA be on improving performance in those discrete areas that will make the most difference to project performance and public understanding of the Agency. The details of our recommendations are set forth in the remainder of this final, consolidated task report.

Independent Study of Redevelopment in Long Beach

TASK 2.2 : MEASURING PERFORMANCE IN LONG BEACH
REVIEW AND EVALUATION

Prepared For:

The Long Beach Redevelopment Agency

As of:

May 11, 2005

Prepared by:

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TASK 2.2: REVIEW AND EVALUATION

I.   Introduction

This report brings together the information collected in Task 2.1: *Case Studies*, as well as additional information from interviews with stakeholders and city staff, and comments from the public, to identify focus areas for remaining portions of the Independent Study. One purpose of this section is to ensure that we have not missed larger issues affecting the performance or effectiveness of the LBRA that are not specific to a particular project, or that may not emerge in our case study work. A second purpose is to review and evaluate which insights about the LBRA would benefit from comparison to practices in other cities.

The eight case studies in Volume 2 of the Consolidated Final Report (*see also* map below) include a wealth of detailed information about project selection, financing, timing, management, and the impacts of each project on the surrounding community. Many detailed lessons for LBRA improvement can be gleaned from these case studies, and we encourage a close reading of Volume 2. Reading this Review and Evaluation is not a substitute for reading the case studies themselves.

In reading this material, it is important to keep three facts in mind.

- **First, this step is intended to narrow the remaining study effort to focus on patterns of LBRA behavior and performance, and on areas of strength and weaknesses, that deserve further study.** All case study efforts are fact-intensive – they uncover a myriad of details about what was done well and poorly – and those facts are documented in the case studies themselves. However, not all facts are equally important, and not all merit further study. Some facts reflect areas of strong or weak performance that were apparently not repeated. Other facts may reflect an event that was particularly sensitive, painful, or disappointing to a small group of stakeholders or individuals, but that did not reflect or represent widespread beliefs about LBRA policies or actions. The purpose of this section is not to follow up on every fact uncovered in the case studies, but to identify patterns of behavior and performance – issues that occur repeatedly, or that appear to reflect a policy or practice of the LBRA – that could be improved (or in the case of strengths, that should be continued).

- **Second, the results stated in this report do not constitute the "report card" of the LBRA – they reflect areas for further study.** The Independent Study was structured so that information collected on Long Beach redevelopment projects – and the LBRA in general – will then be tested by comparison with the practices in other cities. Facts and patterns that appear unusual when viewed in isolation may seem less so if other city redevelopment efforts reveal the same patterns. In *Task 3: Comparing Long Beach to Other Experience*, we will pursue some of the topics identified in this report through targeted comparisons with Oakland, Pasadena, San Diego, and Sacramento, California, and Portland, Oregon. These comparisons will not be on a project-to-project basis, but on a practice-to-practice basis. To make these comparisons meaningful, we need to identify aspects of performance in Long Beach that reflect general practices – rather than accidents or isolated events – that can be compared with the general practices of other agencies. One way to do this is to focus on practices that relate to the Definitions of Success adopted for this study (see

subsection VIII below). The final list of recommended areas for improvement – and the action plan to get there – will not appear until *Task 4: Moving Toward Best Practices.*

- **Third, the case studies were rated based on their performance against the redevelopment goals adopted in the Strategic Plan for the Project Areas where they are located, and against the adopted Definitions of Success for this Independent Study.** Those benchmarks were chosen in order to have relatively fixed and objective benchmarks, and to reduce the amount of subjectivity in the case studies. However, the fact that a case study project does not score high (or as high as some might expect) against these benchmarks does not mean that it is not "successful." Case study scores do not – and should not – measure the subjective popularity of a given project, since those judgments tend to vary over time. It appears clear, for example, that the Los Altos Market Center may be more popular than its case study scores might indicate, while the opposite may be true for City Place. We believe that these differences should not be addressed by trying to revise scores to match subjective attitudes towards each project after the fact. Instead, they should be addressed by reviewing and revising the adopted local Project Area goals and the Definitions of Success to ensure that they accurately reflect the types of outcomes that are desired.

We have organized these findings into the seven substantive topics covered in the subsections below.   These findings will remain preliminary until all case study documentation is completed.
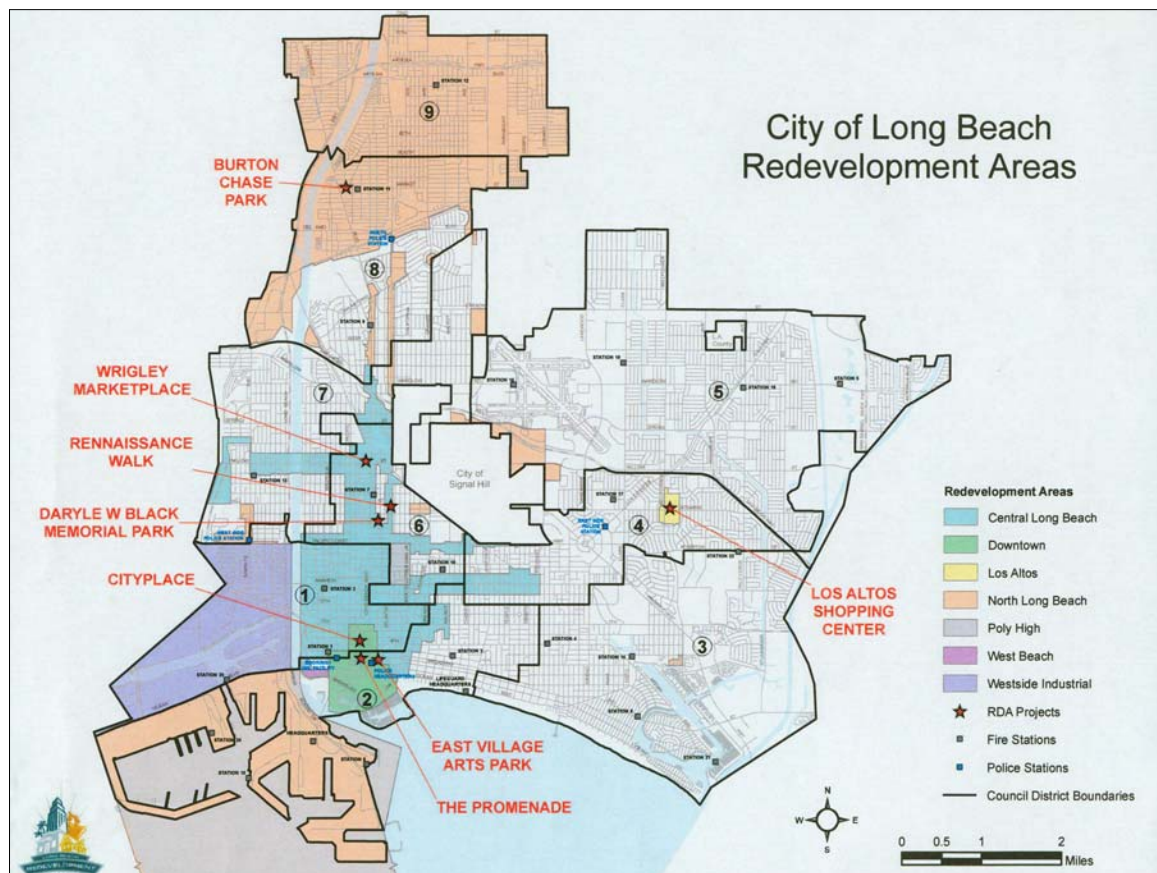
Task 2.1 Case Studies

II.   Project Selection and Prioritization

Three separate issues have been raised regarding project selection and prioritization:

- o   Is the LBRA selecting projects that meet the legal and generally accepted definition of "blight," and where the design, condition, or performance of the project site is having a blighting effect on the surrounding community?

- o   Is the LBRA selecting projects where LBRA involvement is necessary to solve the blight and blighting influence on the surrounding community?

- o   Is the LBRA selecting redevelopment projects that the community supports?

A. Evidence of Economic Blight, Functional Blight, or Social Distress

- In each case, evidence of blight existed at the specific project site, although there were variations in "how much" blight at each site.

- In the case of Renaissance Walk (Atlantic Avenue), CityPlace, and Promenade, both the sites themselves and the surrounding areas exhibited classic blight symptoms of economic, financial, and social distress. Evidence of blight was also compelling in some (but not all) of the area surrounding Wrigley Market Place, where the principle blight was underutilization of the site itself. In each of these cases, there were significant barriers to private-party reinvestment and redevelopment, including fragmented ownership patterns, functionally obsolete existing structures, limited opportunities for private market investment or financing. These, perhaps, were the "easy" cases when it came to finding and evidencing "blight."

- In the case of the Los Altos MarketCenter, "blight" was a slightly more moving target, because although the shopping center exhibited increasing degrees of blight over time, the surrounding neighborhood was not "blighted" and has remained a very stable, middle- to high-income residential community both before and after the intervention.

- The three parks studied—East Village Arts Park, Daryle Black Park, and Burton Chace Park—are perhaps harder cases in terms of finding and evidencing "blight." The project sites themselves were vacant and underutilized lots, but there was less evidence of other institutional or inherent challenges to future or eventual private-party redevelopment.[1] In these case studies, the surrounding neighborhood's documented need and desire for more green spaces really drove the finding of "blight" rather than the extant condition of the specific sites themselves. Long Beach has significant inequities in the distribution of parks and open spaces between the city's east side neighborhoods and the city's north, downtown, and western neighborhoods. In all the park case studies, the surrounding neighborhoods had lower levels of parks and open space, which could support a finding of blight through social distress (rather than functional or economic blight).

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[1] The one exception, perhaps, was the East Village Arts Park property where MTA utility easements and spacing requirements might have prevented significant new structures on the site.

- The three park case studies also illustrate a much bigger issue for the LBRA – whether the provision of public facilities and improvements (such as streetscape, alley paving, street lighting, parks, police stations, or libraries) actually reflect the type of blight for which redevelopment powers and funds should be used.

B.   Selection of Projects Requiring LBRA Assistance

- Each of the case studies includes a section entitled "The Case for Agency Involvement," and the findings vary for each case study. In general, though, it appears that most of the eight case study projects would not have happened without LBRA involvement.

- LBRA financing in particular appears to be a critical component in getting these projects completed—the LBRA is the one agency in the city with the money and financial tools (i.e., TIF) to acquire property and the funding to staff and manage the process.

- In addition, the LBRA's eminent domain powers alone are sufficient to justify its involvement in several of the case studies. When blight is found and the preferred solution involves land assemblage and conveyance to a private owner, the use of LBRA eminent domain powers will generally be required.

- In the case of the Los Altos MarketCenter, it appears that early intervention in the shopping center's redevelopment may not have been necessary, but that intervention was increasingly needed. Nevertheless, because of the excellent location of the center and the strength of the surrounding residential market, it seems at least plausible that if the LBRA had not intervened as early as it did, the center might have been able to successfully reposition itself without intervention.

- The more difficult question is how the LBRA balances its traditional role as a private sector "catalyst" with the increasing demands for public sector projects. In the past, park acquisition and development was typically managed by the city's Park, Recreation and Marine Department using a variety of general or special funding sources other than redevelopment moneys. There appears to be a growing number of cases in which functional or economic blight or social distress can be found, and it is "necessary" for the LBRA to be involved because no other agency of the city has funds to complete the project.

C.   Selection and Prioritization of Projects that the Public Supports

- In most of the case studies, the immediately surrounding community strongly supported the specific redevelopment projects. This is particularly true for the neighborhood park projects. Surrounding communities also uniformly supported Los Altos MarketCenter and Wrigley Market Place.

- Nevertheless, some stakeholders opposed or raised concerns about CityPlace, the Promenade, and the Renaissance Walk projects. Some citizens and City Council members preferred higher-end retail anchor tenants for CityPlace versus the more value-oriented tenants that ultimately occupied the key spaces. For the Promenade project, some City Council members, citizens, and special interest groups preferred a mix of affordable units with the market-rate housing. In the case of the Renaissance

Walk project, some residents in the surrounding community were not supportive of new housing on Atlantic Avenue. Despite the project's success, many would have preferred commercial uses rather than housing.

- Further away from the project site, however, the answers are less uniform. There was clearly strong opposition by West PAC to the use of Westside funds for the funding of the Los Altos and Wrigley projects (and to the use of eminent domain powers in general). The historic preservation community in Long Beach has also expressed concern about project selection and perceived insensitivity to the preservation of the city's older buildings and cultural heritage when LBRA chooses project sites and designs.

- In addition, there appears to be dissatisfaction that some types of projects have <u>not</u> been selected – and desire for different types of projects to be chosen in the future. Discussions with the PACs and at Round Table events suggest a desire for fewer large, expensive "downtown" projects, and a preference for smaller, less expensive "neighborhood" projects (which is consistent with more recent LBRA policies). Desired "neighborhood" projects range from alley paving, streetscaping, median improvements, and parks, to market rate housing and neighborhood commercial projects affordable to existing local businesses.

- On the other hand, some stakeholders, particularly in downtown, would like to see the Agency take bolder steps and devote more resources to attracting hotels, higher-end retailers, and other destination projects. Some expressed their concern that the LBRA too often seeks "easy" projects, rather than difficult projects that would create more impact. Based on the case studies, we do not believe the LBRA is choosing "easy" projects – but it may be that a different type of project would have had more impact in some cases.

- Finally, discussion with the PACs also revealed frustration that PAC preferences for prioritization of projects (as opposed to the choice of projects themselves) are sometimes not reflected in Strategic Plans or work plans. In other words, there are frustrations about the order in which projects are selected for implementation, even if there is no objection to the projects themselves. There are several probable causes for this mismatch. One is that consultation between the LBRA staff and the PACs on project prioritization takes place periodically, and situations can change. The PACs may change their priorities from one year to the next, only to find that LBRA staff are acting on last year's priorities and have proceeded to a point where changes in course would be inefficient. In other cases, the opportunities that were present when consultations were made may have changed due to market conditions and sometimes cannot be implemented. In addition, each Project Area's opportunities are limited by available funds, and projects that do not generate TIF funds may not be feasible until a certain level of TIF funding has been generated.

III.   Project Financing

At the start, it is important to recognize that the LBRA has had a long record of financial success in project financing. Notwithstanding the failure of the Long Beach Plaza Shopping Center, the vast majority of redevelopment projects have been successfully financed. When unexpected events occur in the design of potential projects and negotiations with potential developers, or when developers are unable to secure

financing, LBRA has proved adept at responding to the situation to design a project that can be financed. The enormous changes in downtown Long Beach, and the successful redevelopment of the Los Altos Market Place, could not have occurred if the LBRA did not have a basically sound approach to project financing. The comments below identify areas where this fundamentally sound approach might be improved to perform even better.[2]

- In several cases, it appears that the LBRA significantly underestimates or excludes certain acquisition costs. Significant upward revisions in acquisition costs during the project design process sometimes make it necessary to re-think the project's financial feasibility or to expand the revenue generating components of the project, which add time. Because of LBRA's strong experience in land acquisition and disposal, it is unclear why these underestimates of land value occurred as consistently as they do.

- In addition, in some cases, it appears that LBRA or partner departments significantly underestimated total project costs. Naturally, as proposed projects proceed from conceptual design to final project documents, increasing levels of detail make more accurate estimates possible, and construction costs generally rise during the negotiation periods, so one would expect some increase in project costs. Again, however, significant underestimates sometimes lead to the need to redesign projects, and that delays project completion. In non-revenue generating projects (such as parks), underestimating construction costs may lead to a need to "scale back" the project, which also creates delays and public disappointment.

- In at least one case study (Los Altos) the documentation of the "need" for the developer subsidy amount appears weak. In retrospect, it appears the LBRA may have provided a greater level of subsidy than the developer might have required based on such factors as land values and anticipated developer returns. Nonetheless, we recognize that this is a particularly difficult area to analyze fairly in hindsight, as it is impossible to determine, years after the fact, what inducements private developers required to undertake a project they otherwise would not consider. At the time negotiations are in progress, it is often difficult to accurately evaluate the risks of a non-market-driven development project, and while negotiations are proceeding the blight may be getting worse (as appears to have happened in Los Altos). Under these circumstances, it may not be fair to evaluate whether particular subsidies were "needed" on the same benchmarks applicable to non-redevelopment projects.

- In the case of Los Altos and Wrigley Market Place, project financing was arranged through an inter-project investment or transfer, which created significant controversy, and the practice has since been discontinued. However, the ability to finance virtually all project costs also distorted project financing calculations by allowing repayment over a very long period of time.

- Some of the case studies involved complex financing negotiations between the LBRA, the proposed developer, and the City of Long Beach, and in some cases both LBRA and City funds were invested in specific redevelopment efforts. There have been

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[2] Project financing analyses have not been completed for all of the case study projects, and the following comments may change as additional analysis is completed.

some concerns expressed that the results of these negotiations have sometimes benefited LBRA finances at the expense of the City's general fund.

- In the case of Wrigley Marketplace, Long Beach was able to leverage redevelopment funds with an MTA grant from CalTrans. Likewise, in the case of Renaissance Walk, LBRA was able to leverage its interest with a HUD Home Ownership Grant to the LBHDC. Finally, the Parks, Recreation and Marine Department obtained a $23,000 grant to develop Daryle Black Park from the Integrated Waste Management Board to help leverage the cost of the park.

IV.   Project Timing and Phasing

Almost all stakeholders expressed a desire that the times required for preparation, approval, design, and construction of proposed redevelopment projects be faster. Internally, LBRA staff is also sometimes frustrated by how long some projects take to reach fruition, but they more readily understand identify the reasons why delay occurred. Depending on whom you ask, the sources of delay (and targets of blame) include:

- o   The legal requirements of the California Redevelopment Act,
- o   The legal requirements of eminent domain and relocation laws;
- o   Workloads of LBRA staff, City Council staff, public works staff, and parks staff, as well as unfilled city staff positions;
- o   Poor/redundant project management;
- o   Inexperienced project sponsors, contractors, or architects;
- o   The need for approvals by both the LBRA board and City Council;
- o   The design review process; and
- o   Litigation.

In order to identify the true sources of delay, each of the case studies included a detailed timeline and analysis of where time delays might have occurred.

- It is important that discussions about project timing be based on realistic expectations. Redevelopment projects (with or without the involvement of a public agency) are inherently more time-consuming than most new development. Because of the high likelihood that unexpected challenges will appear along the way, many redevelopment projects do not lend themselves to strict timetables, and guarantees of completion by a certain date should not be expected. The focus of our inquiry is therefore on sources of delay that can be foreseen and avoided – and not on every type of delay that occurs.

- Many of the case study projects were started (and in some cases completed) more than five years ago. While the conclusions drawn from case study analysis are relevant to current LBRA practice, the analyses do not account for improvements made by the LBRA and other city agencies in the interim. Considerable progress has been made in the last five years within LBRA and other city bureaus and departments, and particularly in Public Works, to remedy sources of time delays. New project management and project tracking programs have helped, as have more inter-agency cooperation and improved communications. As a result, it may be unfair to disparage these more recent administrative efforts by generalizations based on practices in place five or more years ago.

- As shown in the table below, the recurring sources of time delay in the case studies appear to be:

    o Under-estimation of acquisition or construction costs, and related delays to revise the project design and financing;
    o Selection of a developer or contractor who proves unable to obtain financing, or to complete the project;
    o Time required to complete the project design process – including public participation in that process;
    o Time required to complete statutory procedures for eminent domain and tenant/occupant relocation; and
    o Understaffing of the Public Works Department, and resulting delays in "getting to" public infrastructure and parks projects.

CASE STUDY TIME COMPARISON
By Task, In Months

	Project Conception	Developer Selection	Entitlements	Design/ Design Review	Public Outreach	Acquisition	Construction	Total*	Months of Effort**
Daryle Black Park	3	0	6	27	32	19	9	45	96
Burton Chase Park	13	0	0	32	22	0	23	65	90
Renaissance Walk	19	17	3	8	34	16	22	66	119
Los Altos MarketCenter	28	18	10	13	30	16	21	70	136
East Village Arts Park	18	7	31	33	43	11	22	70	165
Wrigley Market Place	26	37	9	34	53	33	34	94	226
CityPlace	38	22	10	16	35	0	34	99	155
The Promenade	67	52	32	44	0	?	5	110	200
Average	27	19	13	26	31	14	21	77	148

Total is typically much shorter than total of individual tasks due to overlapping periods.

** Sum of time in all tasks*

Note: Figures in red indicate task delay that caused delay in overall progress of project

- Several case study project delays were attributable to underestimations of project scope and costs, including land acquisition costs and construction costs. When Burton Chace Park was first put out to bid for construction, for example, all bids came in over the initial project budget allocation.

- In the case of the East Village Arts Park, original designs had programmed materials and features that were later found to be infeasible from a public liability and maintenance perspective. Consequently, park plans had to be re-designed and re-engineered, which necessitated additional rounds of public and decision-maker review. In addition, the unique concept of the East Village Arts Park (individual pieces of art by multiple artists) resulted in significant delays to negotiate contracts and maintenance agreements with many more parties than are usually involved in a park project. For a variety of reasons, East Village Arts Park is not representative of normal park development timeframes and procedures, and LBRA's systems should probably not be designed with this type of park project in mind.

- Although the inefficiency of a dual design review process (i.e. design review by both LBRA and the Planning Department) was eliminated years ago, in recent years the design review process appears to be adding significant time to project approval and completion. Throughout the U.S., both in redevelopment and in greenfield development, lack of consensus on the proper role of design review, and lack of clearly understood design review procedures and standards, are common causes of project delay. While there is strong support for good project design, there have been complaints that:

  o The current system is too subjective (i.e. there are too few objective design standards);
  o The process is too incremental and iterative (i.e. it takes too much time and too many meetings to get approval);
  o Reviewers and architects invited into the process go beyond review of proposed designs to suggest very different approaches and designs;
  o Applicants feel pulled in multiple directions, and it is not clear which standards and reviewers they need to satisfy; and
  o The quality of the resulting project does not match that shown and represented in project approval documents.[3]

- The Daryle Black Park project illustrates that although acquiring project land through a tax sale may be less expensive than acquiring it through eminent domain, it may eventually take as much time as going through a formal eminent domain process. While LBRA has attempted to purchase lands through tax sales in the past to conserve resources, the potential savings in sales prices are sometimes offset by the fact that the properties are often redeemed by the owner at the last minute.

- When a project involves city construction of public facilities or improvements, time delays have been the rule rather than the exception. The Long Beach Public Works Department has been understaffed, as its backlog of unfinished work demonstrates. While the Department has made significant progress in chipping away at its backlog during the past few years, redundancies are built into the construction review process that make it difficult to achieve significant improvements in efficiency. Construction contracts, for example, are reviewed by multiple agencies prior to execution, and there are a lot of checks and balances in place that slow the process, regardless of the size of the project. It is not uncommon for 18 months to pass between the time a public improvement begins the design process and the time

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[3] In order to improve design review, the idea of having an architect or urban designer employed by the City or LBRA to review proposed projects has been debated for some time. We understand that such a position may be posted for hiring in the near future.

construction is started. The Public Works department is making strides, however, particularly regarding construction of public facilities such as parks.

- Once the LBRA has determined that blight exists, and that a project is needed, it should act decisively to negotiate and complete the project as quickly as possible. The Los Altos project illustrates that an incremental approach can tend to discourage private investments in the area while the private sector waits to see what the government is going to do. It appears in hindsight that more decisive action early in the Los Altos project could have allowed for a quicker and more limited redevelopment effort, at lower cost to the city, and with potentially the same positive outcome.

V.   Public Involvement

Our case studies have revealed a high level of support for individual redevelopment projects, at least within the neighborhood most affected by each project. But despite the LBRA's significant outreach efforts over the years, public involvement in redevelopment in Long Beach generally remains rather limited. As a result, two significant criticisms of existing practices are often voiced:

- There is a general lack of trust that public and stakeholder visions for the community can be or will be implemented; and
- There is a perception that "politics" or "staff," rather than community interests, are driving the redevelopment process.

In addition, from the start of the Independent Study, a variety of stakeholders and appointed and elected officials identified poor communications about, and poor understanding of, redevelopment as troubling. The general lack of understanding about the redevelopment process continues to be a major source of conflict and tension affecting the city. While it is tempting to categorize this as a "communication" problem, its roots run deeper than that.

The fact is that redevelopment is a complex process that does not lend itself to simple explanations. California and federal law impose numerous constraints and requirements on how decisions must be made, how money can be raised, what money can and cannot be spent on, how eminent domain can be used, and a variety of other topics. In addition, redevelopment finances are complex – not only for each individual project, but among different projects within each Project Area. It takes a significant investment of time to master even the basic details necessary to review proposed decisions. Regular turnover of PAC members, LBRA Board members, and City Council members means that many key stakeholders involved in the process are still on the "learning curve" at any one time. As a result, developing good lines of public communication often suffers in the crush of making the complex decisions at hand.

That being said, effective and trustworthy channels of public communication must still be a high priority. This section reviews the available information about past public communication practices, in order to identify where efforts should be focused to improve them.

A. PACs and Other Relationships

- The PAC structure is a source of both strength and weakness in Long Beach redevelopment. For example, tenure on a PAC results in citizens who are much more knowledgeable about <u>how redevelopment works</u>, and how to effectively participate in that process, than the public at large. Yet, some PACs can become self-perpetuating groups that may or may not be more knowledgeable about <u>what the neighborhood needs</u> than other groups. Not surprisingly, the North PAC, Central PAC, and West PAC each have their own distinct characters and relationships with the LBRA and the City, and these differences make generalizations difficult.

- In general, relations between the PACs and the LBRA Board appear to be improving. In large part, this appears to be the result of the City's decision to appoint three members of the LBRA from PAC-approved nominees or lists. In addition, there is a perception that the non-PAC Board members have also committed themselves to better communication and involvement. Several LBRA Board members now attend monthly PAC meetings, which the PAC members generally appreciate.

- Relations between the PACs and City Council members are more varied. While some Council members attend PAC meetings and describe their relations as productive, others believe that some PACs are not representative of the population in the project area, and that they dominate discussions about proposed projects to the exclusion of other citizens. It is very important that the elected officials charged with representing their citizens on all issues have a productive relationship with those elected to participate in the redevelopment process, and in some cases this is not happening. In addition, there is no effective system in place to obtain regular citizen input on redevelopment matters other than through the PACs or through project-specific outreach efforts in areas of the city where PACs do not exist. There is some disagreement about whether the solution to this is through revisions to the PAC structure and procedures, or through the creation of alternative channels of communication outside the PACs.
- Relations between the PACs and staff are also varied. LBRA staff routinely attends PAC meetings in the areas for which they are responsible, and PACs often exclude those staff members from their criticisms of the Agency. In other cases, however, PACs have expressed criticism that senior -level LBRA staff members do not give adequate weight to local community preferences. Some stakeholders claim that staff treats public involvement as a courtesy rather than an obligation or an opportunity to improve redevelopment. At the same time, it is clear that staff members have been treated with disrespect at some PAC meetings.

- In addition, the history of litigation between the LBRA and West PAC, and the unique settlement agreement that resulted have produced very tense (and generally unproductive) relationships between those two groups over a long period of time.

B. The Form and Timing of Public Involvement

- Although most of the case studies included public involvement efforts, some of those efforts came after key project design decisions had been made. Once initial project decisions have been made (for example, the basic project site and the size or massing of the project), it would be expensive and time-consuming to alter those decisions in response to public input. As a result, public involvement groups sometimes describe

initial project meetings as efforts to persuade them to support the project, rather than to solicit their opinions as to what the neighborhoods want or need.

- When projects are proposed in existing Project Areas with PACs in place, it appears that LBRA conducts public involvement primarily through those groups. While citizens on the PACs may be the most knowledgeable about redevelopment, this practice may also give the impression to other citizen groups (and through them, to City Council) that the redevelopment input process is a "closed shop." Based on the case studies, we do not think the PAC review process is closed to outside input, but the perception is there. It does appear that LBRA generally does not engage in significant public outreach beyond the PAC when the project is located in a PAC area.

- Based on public input at PAC meetings, Round Table meetings, and open houses during this Independent Study effort, it appears that the public's knowledge of redevelopment in Long Beach is "all-or-nothing." Some participants had extensive understanding of the fundamentals of redevelopment, and had come to discuss finer points of the process (or to express specific grievances). Those who were not members of a PAC were generally first time attendees with a general interest in redevelopment (or questions about a specific project), but little knowledge of what the LBRA is or what it does.

- While efforts are often made to ensure outreach and communications with Hispanic and other non-English speaking populations, it appears that the level and consistency of these efforts depends on the initiative of the project manager, rather than a consistent process.

C. Public Communication and Perceptions

- In addition to involving the public in decisions regarding specific proposed projects or specific project areas, it appears that the LBRA does not conduct a significant effort to inform the public in general about redevelopment. Although LBRA's efforts over the past decades have thoroughly transformed the downtown area, Pine Avenue, and the Pike, and have improved each of the case study project areas, it appears that most of the public has only a vague understanding of who the LBRA is or what it does.

- In addition, it appears that the LBRA sometimes does not communicate when it has incorporated citizen preferences into the final project design. As a result, members of PACs and the public are sometimes not aware that project design or development revisions were made in response to their input.

- In light of the many successful projects undertaken by the LBRA, it is somewhat surprising that the Agency has only a minimal continuing public relations effort (notably, only signs at project sites), and appears not to have made a significant effort to inform the public about successful projects. At present, neither the City nor the LBRA appear to be harnessing the power of the media (especially newspapers and TV) to tell the story of positive things that have happened through redevelopment. However, LBRA has registered to hire a full-time community liaison with duties that include marketing and public relations.

- As noted above, we have been surprised and disappointed by the relatively low turnout at some of the public forums conducted for the Independent Study specifically to solicit the grass-roots concerns of the community. Of course, without the opportunity to speak with those who chose not to participate, we cannot know their reasons, and no doubt the factors are as varied as Long Beach's diverse constituencies. In addition, due to lack of time to attend meetings, other reasons we have heard to explain the low turnout include:

  o Disenchantment with the LBRA's past actions and doubts that their participation would be effective or their opinions considered (the recent tense interactions surrounding the West Gateway project are a case in point);
  o Redevelopment issues do not seem very important to many citizens – they do not see the connection to their lives; and
  o Feelings of disconnection from the LBRA itself – and perceptions that other groups (i.e. the PACs) are better connected to the Agency.

- While it may be unfair for the LBRA to be judged by the most recent project to have attracted media attention (which tends to focus on potential controversy), it is likely that this will continue unless efforts are made to present a longer term view of the Agency and the complexities of the redevelopment process.

VI. Measuring Costs and Benefits

Stakeholders familiar with the size of redevelopment efforts in Long Beach realize the large amounts of money that have been spent on numerous projects, and sometimes wonder whether corresponding benefits have been received. This is a particularly important question in the case of redevelopment, since future revenues are often pledged for long periods of time to repay project debt. That means that the public has already seen many of the benefits of the new project (especially the market "bounce" that comes from putting a new commercial or retail development into the market), while costs will be spread out long into the future. When benefits appear soon and costs are deferred, it is difficult for the public to accurately weigh the relative costs and benefits of the project, and it is important for those who make the decisions to have a process for accurately weighing those factors in advance – and checking on performance over time. The case study analyses in Task 2.1 reflect our effort to measure the costs and benefits of some of the projects reflected in these numbers.

- In the period 1999-2003 (the last year for which official state filing data is available) the LBRA's annual filings with the Secretary of State's office show average budget expenditures of almost $33,000,000 annually.

- While measuring costs and benefits of real estate projects is in theory a relatively straightforward process, in practice it can be much more difficult unless there is a complete record of the project. The older the project is, the harder it is to locate records and to locate staff members who were there at the time and can fill in the gaps in written records.

- Moreover, assessing redevelopment projects is more complicated than reviewing typical real estate projects, because the goals are more varied and complex. Redevelopment projects are intended to produce a combination of economic and social outcomes – and the latter are notoriously hard to measure. At a minimum,

there needs to be agreement on what "social" or "soft" benefits are to be measured. We have approached this issue partly through our qualitative (and ultimately subjective) Definitions of Success. But many outcomes are not easily quantified for a cost/benefit analysis. For example, neither the LBRA nor the Planning Department have established a working estimate of the value of open space, which effectively precludes measuring the costs and benefits in the parks case studies.

- In spite of very good cooperation from LBRA staff and Long Beach financial and GIS staff personnel, measuring costs and benefits of the case study projects proved much more difficult than expected. While the LBRA has kept voluminous records, those records were not always complete or easy to access. Among the problems encountered were:

  o The recordkeeping system is designed to support and produce documents mandated by law for project approval and implementation – rather than evaluation of project results.

  o The Agency's accounting and personnel systems track project revenues and expenditures (including LBRA administrative expenses) by project area – rather than by specific project – making project-level evaluations impossible in most cases.

  o Moreover, there is no parallel tracking system that permits more policy-oriented reviews of individual projects. For example, there is no system that permits analysts to compare actual to predicted project expenses, or to assess project feasibility by comparing project revenues with expenses.

  o The Agency uses different revenue and expenditure categories in different documents, and over time, which makes it difficult to reconcile financial information to create a complete picture of project economics.

  o The City's outstanding GIS system, which contains a wealth of information, cannot aggregate data corresponding to either LBRA project areas or individual project boundaries

- As a result, our case study efforts to measure costs and benefits have been more topical than comprehensive and systematic. We have undertaken financial and benefit analyses where data was available, but more often than not were frustrated by the inability to gather data that would permit meaningful analysis.

- Perhaps more importantly, it appears that the LBRA does not have in place a regular program to evaluate whether completed projects have achieved their objectives over time, or how the projects perform relative to expectations. In all fairness, periodic monitoring and evaluation of project outcomes should be a part of every city's development and redevelopment efforts, but in our experience very few cities actually perform such reviews. Aside from the obvious need to provide decision-makers with the facts and analysis they need to make informed decisions, such systems can play an important role in publicizing Agency and City success in redevelopment projects. Lacking this information, community opinions about LBRA performance must rely on more anecdotal (and potentially unreliable) information.

- Since many redevelopment project design and approval documents already include fairly accurate measurements of "blight" and other substandard conditions that create the need for the project, it should be possible to re-measure those items periodically after project opening to learn which aspects of redevelopment are working and which are not.

VII. Internal Management

Early in the Independent Study process, it became clear that many stakeholders were interested in learning more about the efficiency and effectiveness of LBRA's internal management. Although these questions could be answered through a formal performance audit, such an audit would include detailed financial accounting and legal reviews that were beyond the scope of this Independent Study effort. In lieu of a performance audit, we included discrete elements in case studies to document structures and resources used in implementing case study projects. More specifically, we reviewed:

- o Inter-agency cooperation and communication (i.e. the administrative structures used to implement the project);
- o Project management approaches used to implement projects; and
- o General LBRA administration and operations (i.e., administrative and consulting expenses).

Long Beach could not have completed the long list of successful redevelopment projects that it has if the LBRA did not have generally effective staff and management practices in place. The discussion below is intended to identify areas in which those practices can be improved.

At the start, it is important to acknowledge the need for fairness and balance in this area. History shows that city employees are often easy targets for criticism, and LBRA staff and management have indeed been criticized in this Independent Study process. In fairness, though, it is important to acknowledge that redevelopment staff has a very difficult job to do. Not only does the California Redevelopment Act place significant restrictions on the types of activities that can be funded, but the limited availability of TIF revenues in each Project Area puts additional limits on what can be done. While both the law and good practice require that public involvement be taken seriously, members of the public often do not understand the limits within which staff operates – and staff efforts to explain those limits are sometimes perceived as unhelpful or unresponsive. Finally, LBRA staff may be subject to conflicting demands and expectations by the LBRA Board, the City Council, the City Manager, the PACs, and the public – in some cases it is simply not possible to make everyone happy.

A. Interagency Cooperation and Communication

- LBRA is not the only Agency involved in implementing redevelopment projects. LBRA staff specializes in crafting, negotiating, documenting, and obtaining approval for redevelopment projects, as well as in assembling land and arranging financing for those projects. In contrast, the staff of the Parks, Recreation, and Marine Department ("Parks Department") specializes in designing park projects, and the Public Works Department specializes in bidding out and overseeing the construction of public works, infrastructure, and parks. Since many redevelopment projects require a

combination of these skills, there have been several efforts over the years to coordinate these specialties to avoid overlaps and to promote smooth project flow.

• Increasing public and PAC desires for more neighborhood-oriented projects have led to increased alley paving, streetscaping, and small parks projects, requiring greater levels of cooperation between these three agencies.

• Analysis of delays in the case studies suggests that not infrequently the delays in completion of "LBRA" projects have occurred when key steps (such as design or construction) have been assigned to other city departments. There have been several cases in which public comment was critical of LBRA delays, when an analysis of project documents and timelines shows that the delays occurred during steps when other city departments were managing discrete aspects of the work.

• Several problems have emerged when more than one agency is involved in a redevelopment project, and when duties and lines of responsibilities are unclear from the start. Historically, inefficiencies have followed from redundancies in project management. When the LBRA, the Parks Department, and Public Works all have project managers assigned to the same project, the likelihood for delays and redundancies increases unless the agencies reach agreement up-front about their respective duties and authority, and about when and how hand-offs of responsibility from one individual to another will occur.

• In the past, LBRA has perceived that reliance on the Public Works Department to oversee design and construction of projects often resulted in very significant delays. In many cases, these delays can be traced to unfilled staff positions in Public Works and a considerable project backlog in Public Works prior to 2001-2002.

• The Public Works and the Parks, Recreation and Marine Departments have both recently reevaluated and restructured internal project management approaches to increase efficiency and accountability. At Public Works, the Planning and Facilities Bureau, formally created in 2001 and charged specifically with expediting critical public facility projects, has instituted "cradle-to-grave" project management, systematic project tracking, and "job order contracting" for new public facilities, including parks and recreation centers. All these approaches have paid off in greater efficiency and more accountability. At the Parks Department, development officers have consciously moved away from trying to micro-manage each parks and recreation project (such as Burton Chace Park) in favor of constructive partnerships with the new Planning and Facilities Bureau. The result has been much smoother and more expeditious parks and recreation development processes (such as Daryle Black Park, Homeland Cultural Center, and several neighborhood swimming pool projects).

• The project design process appears to be a particularly difficult area for inter-departmental cooperation. There have been problems in coordinating project concept design and final designs between LBRA, the PACs, and Public Works, and in obtaining timely review and acceptance from Public Works. The delays in East Village Arts Park due to unacceptable materials specifications are a case in point.

• In the case of Renaissance Walk, Wrigley Market Place, and Daryle Black Park, it appears that very smooth partnerships were worked out early in the process, and

that the projects were implemented with a minimum of delay or wasted effort. The keys to these successful efforts appear to be:

- o Clear understandings of the duties of different agencies
- o Strong project management within LBRA (i.e. senior staff and/or the Director); and
- o City Council support.

- Recent institution of monthly inter-departmental department/bureau manager meetings is a good practice that should improve project implementation in the future.

- Although the East Village Arts Park project had significant implementation delays, the East Village Arts Park Task Force serves as a good model for future cooperative efforts. Such task forces can be effective provided that (a) the number of task force members can be limited, (b) the same representatives of each stakeholder can attend each meeting consistently throughout the process, and (c) the group can agree on pre-existing ground rules that prevent "re-hashing" of decisions when new representatives enter the process. The EVAP task force included representatives from:

- o The City Councilmember's office
- o Affected city departments -- in this case, the LBRA, Parks, and Public Works;
- o Central PAC; and
- o The Public Corporation for the Arts.

B. Project Management within LBRA

- Continuity in project management is a recurring challenge. Changes in project managers during the design and implementation of projects have caused problems in the East Village Arts Park, Los Altos, and the North Long Beach façade improvement program.

- LBRA currently allows each project manager significant flexibility to address the unique challenges of redevelopment project design and implementation within his or her area. Because redevelopment projects are almost always complex, and the complexity appears to arise in a new way each time, this managerial flexibility is a strength of LBRA's project management approach.

- However, this flexible approach to project management also appears to extend to recordkeeping, which can become a liability when project managers are replaced. Incoming managers can be left without consistent records of past efforts to refer to as they design their own way forward.

- Some of the delays in The Promenade project were caused by the LBRA and City pursuing two different projects (The Promenade and Queensway) without acknowledging that the prospective tenants for both projects would be the same – or at least so similar that they would be in direct competition. This is a significant oversight, since those property owners and developers who work with the LBRA need to have confidence that proposals will not be undercut by competing proposals also negotiating for Agency and City support.

- In addition, there appears to be only informal sharing of information regarding successful approaches among project managers. While some project managers have developed reputations as efficient and effective project implementers, it is not clear that this information is being shared with other project managers who might benefit from sharing of techniques.

- There also does not appear to be a "shared" or systematic method of tracking specific project progress or the status of active projects. At a minimum, a common project tracking approach (or software) could improve management oversight and reduce the likelihood of "slippage" when project managers are replaced.

- The weekly LBRA project team meetings between the Redevelopment Manager and the project officer and analyst for each redevelopment project area are a good practice that should continue.

- In addition, the LBRA has instituted twice-a-month project progress meetings between the project developer and the LBRA project staff, which should help sustain momentum behind project implementation and help to surface potential problems before they become serious.

- Because redevelopment projects vary so greatly, and because many require creative problem-solving skills, we believe that the LBRA's current, flexible approach to project management is the right approach. Our comments requiring the need for more consistent recordkeeping and information sharing do not imply that the LBRA should adopt a more standardized approach to project management itself.

C. General Agency Administration and Operations

- There is consensus among city staff and stakeholders that operations within the LBRA, coordination between LBRA and other city agencies, and communications with the public have improved dramatically under the tenure of the current LBRA director.

- The LBRA's administrative costs appear to be reasonable as a percentage of project related expenses. The *Community Redevelopment Agencies Annual Report*, filed with the California Secretary of State, reflects administrative expenses in the range of 13.5% to 18.4% of total expenditures between 1999 and 2003, and an average of 16.04% of expenditures during that period.

- The Los Altos area appears to have lower-than-average administrative expenses during the same period; the same state report reveals administrative expenses that range from 4.4% to 12.2% of total expenditures (and an average of 9.09% of expenditures during the same period).[4] This (relatively) low figure may reflect the fact that Los Altos is past the development stage, and staffing requirements are relatively low.

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[4] These figures do not correspond well with the 6.2% administrative expense reported in the Los Altos case study, because that figure represented an average over a different and much longer period (1988 through 1997). In addition, the Los Altos figures were developed based on internal LBRA accounting, and there may be differences in what is categorized as an administrative expense in the LBRA's internal accounting and in the required state reporting.

- Administrative expenses could not be isolated for Daryle Black Park, because neither the LBRA nor the California Secretary of State's office collects and reports data for individual project areas. However, administrative expenses in the Central Long Beach Project Area (which contains Daryle Black Park) appear higher-than-average for the LBRA. The *Community Redevelopment Agencies Annual Report* reflects administrative expenses for the Central Project Area in the range of 9% to 40.6% of total expenditures between 1999 and 2003, and an average of 20.1% of expenditures during that period. These figures are significantly higher than the normal range of administrative expenses, and probably reflect the fact that the Central Project area had very low tax increment, and staff costs to administer the area appear as a high percentage of that very low number.

- Similarly, although LBRA uses a wide variety of consultants for different purposes on specific redevelopment projects, the cost of those consultants appears reasonable as a percent of project expenses. For Los Altos Market Center, consultant costs for the creation of the project area and development of the project totaled $221,250 – or approximately 1.6% of the approximately $16.8 million in (undiscounted) project costs. Consultant costs for the Daryle Black Park project could not be isolated from those incurred for other projects in the Central Project Area.

- The LBRA has already taken several steps to improve internal operations. In particular, the Agency's move towards performance based budgeting. Reviews of preliminary budget development documents reflect a close integration of programs implemented by the LBRA and by other portions of the Community Development Department, a good understanding of how redevelopment projects should be used to leverage results of other City programs, and a significantly stronger focus on measurable outcomes for each program area and line of business. Commendably, the preliminary documents show an understanding that the number of outcome measures should be limited in order to contain the amount of effort needed to measure success and to preserve Agency funds for projects.

VIII. Ties to Definitions of Success

As mentioned above, the Independent Study effort has established Definitions of Success that address both the goals of redevelopment and the ways in which redevelopment projects are conducted. Those Definitions of Success appear in the addenda to this final report. Each of the case studies received a scorecard comparing its performance to the Definitions of Success, and a summary of those scorecards appears in the table below.

DEFINITIONS OF SUCCESS – SCORECARD SUMMARY									
	Burton Chace Park	City Place	Darlye Black Park	East Village Arts Park	Los Altos Market Center	The Prome-nade	Renais-sance Walk	Wrigley Market Place	Average Score
Improving Quality of Life in Long Beach (Economic and Social Impacts)									
Removing Blight	3	5	4	4	5	4	5	3	**4.1**
Promoting Economic Development	3	5	4	3	4	4	4	4	**3.9**
Providing Affordable Housing	3	4	3	3	4	4	5	3	**3.6**
Operating an Efficient and Effective Redevelopment Agency									
Project Selection and Prioritization	4	5	5	5	2	2	5	5	**4.0**
Timing of Project Approval and Completion	2	4	5	2	2	1	4	3	**3.0**
Effectiveness and Efficiency of Agency Operations	3	4	5	2	3	2	5	3	**3.4**
External Communication and Public Involvement	5	5	5	4	4	4	4	4	**4.4**

IX. Focus Areas for Remaining Work

In order to focus the remaining Independent Study effort to provide the most benefit to the LBRA and the City of Long Beach, we have used the following three criteria.

- o In which operational areas related to the Definitions of Success does the LBRA consistently score (relatively) low, and where do the case studies suggest that improvements are possible;
- o On which topics do the public, the PACs, the City Council, or the LBRA Board most commonly express dissatisfaction; and
- o On which topics would comparisons with practices in the five comparison cities be most likely to reveal meaningful best practices.

Based on those criteria, the Independent Study team believes that remaining work in Task 3: *Comparing Long Beach to Other Experience* and Task 4: *Moving Towards Best Practices* should focus on seeking answers to the following questions.

A. Project Selection and Prioritization

- To what extent are other cities determining that the lack of public facilities and improvements – such as streetscape, alley paving, street lighting, parks, police stations, or libraries – constitute indicators of blight or social distress that should be addressed through redevelopment tools and funding?

- To what extent are other cities broadening their definition of "blight", or expanding their search for "blight", or expanding the number or size of their project areas, in order to expand the areas in which redevelopment funding streams may be used (even if specialized redevelopment tools such eminent domain or relocation are not required)?

- To what extent have other cities been able to move from large, expensive "downtown" projects towards smaller, less expensive "neighborhood" projects, and if so, how have they managed to maintain financial sustainability without large revenue generators?

- Are other cities using techniques to ensure that community preferences are reflected to the greatest degree feasible within the legal constraints of the California Redevelopment Act and the financial constraints of the project area?

B. Project Financing

- How successful have other cities been in estimating future project costs? What tools do other cities use to improve the accuracy of estimating (a) land acquisition costs and (b) project development costs?

- What tools do other cities use to evaluate the redevelopment agency investment that is actually required to make a project feasible?

- Are there other tools that comparison cities use to simplify or expedite project financing negotiations, and to avoid having to "re-start" negotiations when a selected developer cannot obtain project financing?

- How successful have other cities been in leveraging other public and private foundation grants to supplement local agency project subsidies?

- Are there other tools that cities use to improve the flexibility of their financing systems of available revenue streams?

C. Project Timing and Phasing

- Is the Long Beach experience with project timetables typical of experience in other cities, and if not, where are there differences?

- What tools are used by other cities to avoid other sources of project timing delays in the areas that appear to be most common in Long Beach, including:
  - Cost estimating;
  - False starts with partners that cannot develop the project;
  - Project design review;
  - Design Eminent domain and tenant/occupant relocation; and
  - Adequate staffing and coordination.

D. Public Involvement

- Is the Long Beach experience in relationships between (a) the PACs and City Council, and (b) the PACs and redevelopment staff, typical, and if not, what are the differences?

- Do other cities use public involvement mechanisms to supplement the PAC structure, or alternatives to the elected PAC structure, to obtain pubic involvement, and what is their experience with those systems?

- Do other cities evaluate PAC procedures or governance on a periodic basis, and if so, what tools do they use?

- At what project stages do other cities typically consult the public regarding potential redevelopment projects?

- Do other cities conduct pro-active public communications efforts to educate the public in general about the role of redevelopment and local redevelopment successes (in addition to their project-specific public involvement efforts)?

E. Measuring Costs and Benefits

- Do other cities have in place a regular program to evaluate whether completed projects achieve their stated objectives and estimated impacts (including blight reduction, economic development, job creation, and tax base strengthening) over time?

- If so, do these systems enable the city to calculate cost-benefit ratios for completed projects?

- Do the agency or project accounting systems in other cities facilitate policy analysis (e.g., predicting versus actual costs), in addition to regulatory compliance?

F. Internal Management

- Do other cities have in place efficient mechanisms for inter-departmental cooperation on project design (i.e. mechanisms by which the public, redevelopment staff, public

works or construction staff, and project designers can negotiate project design with a minimum of wasted time)?

- Do other cities have in place efficient systems to ensure quality architectural design of proposed projects, either through a staff architect/designer or through an efficient design review process? If so, how long does it typically take to review architectural designs for proposed projects?

- Do other cities have in place efficient systems to ensure continuous project management – for example, through a centralized project management system with standardized recordkeeping and information-sharing techniques?

Independent Study of Redevelopment in Long Beach

TASK 3: COMPARING LONG BEACH TO OTHER EXPERIENCE COMPARISON CITIES / BEST PRACTICES REPORT

Prepared For:

The Long Beach Redevelopment Agency

As of:

MAY 11, 2005

Prepared by:

CLARION ASSOCIATES, LLC
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CONSENSUS PLANNING, INC.

**This information is available in alternative format
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T ASK 3:   C OMPARISON C ITIES / B EST P RACTICES R EPORT

I.   Introduction

The purpose of Task 3 of the Independent Study is to compare LBRA performance to the redevelopment efforts in five selected comparison cities: Pasadena, San Diego, Oakland, Sacramento, and Portland, Oregon. To help assess the comparability of these five cities selected for comparison, we provide two sets of key facts about each – demographic characteristics and overall structure.

A. Demographic Comparison

Selected demographic characteristics for Long Beach and the five comparison cities, as well as the United States and California as a whole, are presented in the following table. With a population of about 460,000 people in 2000, Long Beach is the third largest of the six cities. This is about 25% larger than the average of the other cities excluding San Diego, which has a population more than twice that of the next largest city.

Incomes in Long Beach rank the second lowest of the six cities, ranking just above Sacramento. Long Beach's median household income of almost $38,000 in 1999 was about 10% below the average of the other cities. Long Beach also has the highest percentage of persons living in poverty and the highest rate of unemployment. Overall, Long Beach is most similar to Oakland and Sacramento is terms of size and economic profile.

SELECTED DEMOGRAPHIC CHARACTERISTICS : LONG BEACH AND COMPARISON CITIES				
Area	**Population**	**Median Household Income**	**% of Persons in Poverty**	**Unemploy-ment Rate**
United States	281,421,906	$41,994	12.4%	3.7%
California	33,871,648	$47,493	14.2%	4.3%
Long Beach	**461,381**	**$37,270**	**22.8%**	**5.8%**
Oakland	399,477	$40,055	19.4%	5.1%
Pasadena	133,871	$46,012	15.9%	4.3%
Sacramento	407,075	$37,049	14.6%	3.8%
San Diego	1,223,341	$45,733	13.1%	4.5%
Portland, Oregon	529,025	$40,146	20.0%	4.7%
Average – Other Cities	538,558	$41,799	16.6%	4.5%
Average – Other Cities Excluding San Diego	367,362	$40,816	17.5%	4.5%
Long Beach vs. Other Cities	-14.3%	-10.8%	+37.3%	+29.5%
Long Beach vs. Other Cities Excluding San Diego	+25.6%	-8.7%	+30.5%	+29.6%
Note: Population and unemployment data as of 2000; all other data as of 1999 **Source:** U.S. Census 2000 Summary Tape File 3 (STF3) compiled by Waronzof Associates				

B. Overall Structure and Expenditures

As shown in the following table, the LBRA redevelopment agency expenditures of approximately $43 million ranks fifth of the six cities, 30% below the average of the other cities (again excluding the much larger San Diego). Long Beach is one of two cities with an independent board of directors, and is one of three cities that rely primarily on elected project area committees (PACs) to provide public input on redevelopment operations and proposals. As the table shows, there is no "most comparable" city in this list -- Long Beach bears some characteristics in common with some of the comparison cities, but does not have all characteristics in common with any one city.

City	2002-2003 Expenditures	Governance	Number of project areas	PACs
Long Beach	**$43,004,143**	**Independent Board**	**9**	**3 Elected PACs**
Oakland	$84,617,043	Full-Time City Council is Board – with no appointed Advisory Board	9	3 Hybrid PACs
Pasadena	$23,221,937	Part-Time City Council is Board – with appointed Advisory Board	8	2 Elected PACs
Sacramento	$44,744,380	Full-Time City Council is Board – with appointed Advisory Board	13	1 Elected PAC 8 Appointed RACs
San Diego	$127,573,640	Full-Time City Council is Board – with Advisory Boards for two areas only	16	7 Elected PACs 1 Hybrid PAC 1 Appointed RAC in process
Portland, Oregon	$90,800,940	Independent Board	11	7 (appointed) URACs

II.   Making the Comparisons

For each of the comparison cities, the sections that follow contain both general description of redevelopment efforts and specific information related to the "Focus Areas for Further Work" identified in our Task 2.2 Review and Evaluation report.

A. Oakland Community and Economic Development Agency (CEDA)

1.   Description of Program and Project Areas

General Structure and Governance. The Redevelopment Division of the City of Oakland Community and Economic Development Agency (CEDA) plans and directs major redevelopment projects throughout the City of Oakland. The Redevelopment Division works with developers, local businesses, and residents to build new housing, retail, office, parks, streets, and streetscape improvements. The CEDA board is the Oakland City Council, which is a full-time salaried City Council whose members earn an annual salary of $62,000. Unlike many cities, Oakland does not have a city-wide advisory board to screen or comment on all redevelopment matters before they are forwarded to city council. However, four of the eight City Council members sit as the Oakland Community Development Committee that performs a similar review function from within Council. The Committee considers redevelopment agreements, redevelopment amendments, zoning ordinance amendments, and real estate transactions prior to Council consideration.

During the last ten years, Oakland has transitioned from an at-large City Council to a district City Council structure, and has also moved to a strong mayor form of government. The move to a district-based Council, in particular, has increased political pressure for neighborhood-specific redevelopment projects.
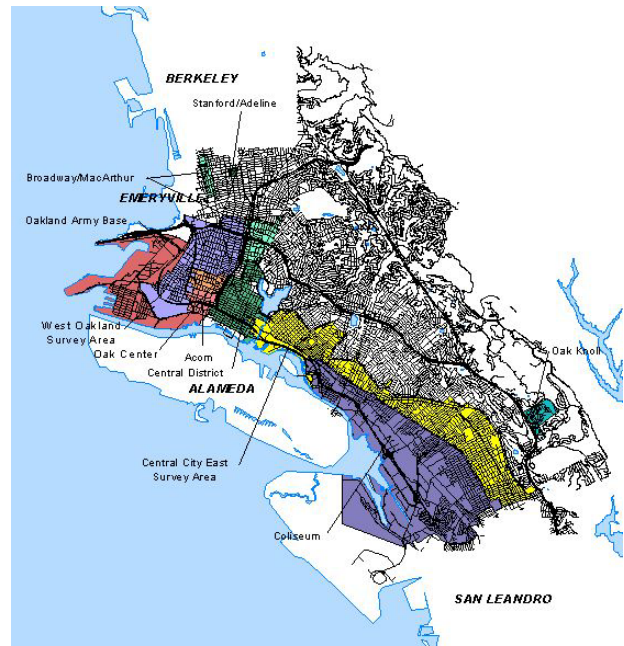
Redevelopment Project Areas and Programs.
Oakland has nine project areas, which encompass downtown and the city's industrial belt, including two of the largest redevelopment areas in California. Several of the project areas include predominantly residential neighborhoods in West Oakland.

While redevelopment activity is virtually complete in two of the nine redevelopment areas (Oak Center and Stanford/Adeline), and currently inactive in one redevelopment area (Oak Knoll, because there is no tax increment revenue), there is considerable ongoing activity in the remaining six redevelopment areas, including Oakland's downtown (Coliseum). Four of these redevelopment areas have been established since January 2000, namely the Central City East, Broadway/MacArthur/San Pablo, Oakland Army Base, and West Oakland

Oakland Redevelopment Areas
Acorn
Broadway/MacArthur/ San Pablo
Central City East
Coliseum
Oak Center
Oak Knoll
Oakland Army Base
Stanford/Adeline
West Oakland

redevelopment areas. The Oakland Army Base redevelopment area includes the Port of Oakland west and south of the base, and the 11-square mile Coliseum redevelopment area includes Oakland International Airport, the Network Associates Coliseum, and the Oakland Arena.

The six active redevelopment areas include a wide range of redevelopment activities including Mayor Brown's "10K Downtown Housing Initiative" for Oakland's downtown[5]; commercial building façade improvements[6]; historic building restoration and reuse; transit improvements and transit-oriented development ("TOD") at several rapid transit stations; waterfront facilities; public access; streetscape improvements; affordable and market-rate housing; and rehabilitation of older commercial centers and corridors. The Agency also prepares marketing materials for the downtown and promotes economic development within the downtown.

Of significant note, CEDA is spearheading redevelopment of the closed Oakland Army Base, a project area encompassing nearly 1,800 acres. The Division will facilitate redevelopment of the former Army Base, including infrastructure improvements, remediation of hazardous substances in soils and groundwater, and housing. Job

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[5] The 10K Downtown Housing Initiative takes its name from its goal of attracting 10,000 new residents to downtown. The Initiative has lead to streamlined development and permitting processes, identification of key opportunity sites and creation of incentives on a case-by-case basis when necessary. To date 17 projects (1,663 units) have been completed, seven projects (646 units) are under construction, 12 projects (1,328 units) have been approved, and four projects (1,328 units) have been proposed but not yet approved.

[6] The Downtown Façade Program began five years ago, offering up to $20,000 in matching grants for property and/ or business owners to remodel and improve the appearance of the exterior of their properties. The program currently involves over 143 projects and is successful with more than 35% of property and business owners participating.

generation, expanded business opportunities and services, improved visual environment, increased public access to and along the Oakland waterfront, and improved efficiency of Port operations are but a few of the benefits expected to result from redevelopment within the Oakland Army Base project area.

CEDA recently instituted coordinated "Neighborhood Commercial Revitalization" (NCR) efforts along several older commercial corridors in redevelopment project areas. NCR activities include façade improvement funding, design development of streetscape improvements, and coordinated delivery of city services through the city's Service Delivery System—an initiative involving geographic-based, multi-agency teams directed to address neighborhood concerns.

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2. Project Selection and Prioritization

- *To what extent is Oakland determining that the lack of public facilities and improvements – such as streetscape, alley paving, street lighting, parks, police stations, or libraries – constitute indicators of blight or social distress that should be addressed through redevelopment tools and funding?*

This appears to be happening. CEDA is facing pressures to expand its redevelopment programs – in part to offset declining availability of funds under federal CDBG programs. Every City Council district has at least one redevelopment project area within their boundary (although it is very small in one case).

In addition, there is general and continued interest in using redevelopment funds to provide public improvements as part of the package of tools to rejuvenate aging strip commercial centers. The Agency has found these neighborhood revitalization projects to be particularly problematic, however, particularly without significant use of eminent domain to assemble lands.

For example, in connection with the Fruitvale Transit Village, CEDA invested approximately $4 million in TIF funds in a streetscape project, and has also invested in infrastructure and streetscape to support airport-related businesses. CEDA has wanted to expand these types of projects to other areas, but is concerned that in more blighted areas the projects may produce fewer positive impacts.

As another example of infrastructure and public facility development, CEDA provided supplemental financing to enable the City of Oakland to build a larger library (with a larger Spanish language collection), than the city could otherwise afford. CEDA also used some TIF funding to cover another $1 million in unexpected costs related to the library development.

A final example of partnering to build community facilities relates to school construction. Over time, CEDA had accumulated school set-aside funds, but found it hard to leverage those funds with other sources. CEDA worked closely with the schools staff to find a facility that could support stronger schools, and in the end used some of the set-aside funds to develop a library facility that would serve the schools.

- *To what extent is Oakland broadening its definition of "blight", or expanding the number or size of its project areas, in order to expand the areas in which redevelopment funding streams may be used (even if specialized redevelopment tools such eminent domain or relocation are not required)?*

This appears to be happening. One indicator of the expanding use of redevelopment powers in Oakland is the creation of four new project areas in the last five years – including the large, new Central City East project area. For many years some of the included neighborhoods opposed the proposed project area because of the association between redevelopment and low- and moderate-income housing. However, as the focus of redevelopment shifted towards housing rehabilitation, and as the ability to fund neighborhood desires with CDBG funds declined, one neighborhood after another has dropped its opposition. According to CEDA staff, increased redevelopment support was not driven by the dwindling monetary supply from other government agencies; it was in response to the ineffectiveness of other approaches to neighborhood investment. In the case of Central City East, the new redevelopment area does retain the power of eminent domain.

Following discussions to create the Central City East Project, discussions began for a new West Oakland project area. In this case, the construction of a highway through the neighborhood resulted in significant animosity toward the city and redevelopment in general. However, community investment in surrounding areas did not appear to have an effect on the neighborhood, and that additional tools were needed.

- *To what extent has Oakland moved from large, expensive "downtown" projects towards smaller, less expensive "neighborhood" projects, and if so, how has it managed to maintain financial sustainability without large revenue generators?*

This also appears to be happening in Oakland. Oakland CEDA has recently initiated a Neighborhood Project Initiative that is intended to devote 3-5% of annual TIF revenues within the Coliseum project area towards the funding of small-scale, community-initiated infrastructure and public improvement projects for which no other funding is available. The parameters of this program are very flexible, and a copy of the resolution authorizing the program is attached to this report.

In addition, as noted earlier, CEDA recently instituted coordinated "Neighborhood Commercial Revitalization" ("NCR") efforts along several older commercial corridors in redevelopment project areas. The NCR Program utilizes a comprehensive approach that analyzes existing physical and economic conditions to identify opportunities and constraints to revitalization, establish partnerships with businesses, property owners and residents to develop and implement revitalization, and direct public resources to maximize private investment.

The Agency has realized that – like the real estate business in general – some projects involve building new facilities and others involve the less attention-grabbing job of maintaining and improving what you have. Neighborhood based projects are slower paced and more difficult. They involve the same skill set, but must be deployed differently and more patiently. In addition, they often require that staff be able to help design and re-evaluate more sophisticated internal cross-subsidies. In order to avoid "checkbook redevelopment," neighborhood projects sometimes need to include a revenue-generating element that (internally) subsidizes non-revenue-generating public

improvements, and staff needs to develop the skills to help evaluate these. In large downtown projects the developers often bring this capability to the project, but that is less common in smaller neighborhood projects.

Finally, the Agency is struggling with its use of eminent domain powers. These powers were challenged in the past and dropped from project proposals.

- *Is Oakland using techniques to ensure that community preferences are reflected to the greatest degree feasible within the legal constraints of the California Redevelopment Act and the financial constraints of the project area?*

In general, the current practice is for staff to generate a list of unfunded projects that staff believes would help implement the strategic plan for the area, and sends it to the PAC for review and comment. Generally, the PACs review the list, suggest additional projects, and indicate those they would like to see as priorities. Staff is not always able to approve or implement projects in the preferred priority order because of funding or other constraints.

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3. Project Financing

- *How successful has Oakland been in estimating future project costs? What tools does it use to improve the accuracy of estimating (a) land acquisition costs and (b) project development costs?*

Staff believes that cost estimates for acquisition and construction are fairly accurate for the most part. Staff indicates that low turnover at CEDA directly impacts the accuracy of project cost estimates. CEDA has been fortunate in terms of retaining experienced project managers who have cultivated strong relationships with cost estimators.

There are two exceptions, however. In the case of streetscape projects, it is not unusual for estimates prepared by Public Works to underestimate project costs by 20 to 30%, which has caused delays and required project redesigns in order to complete projects within budget. This is sometimes due (indirectly) to deferred maintenance, because costs are sometimes uncovered late in the game when the actual state of infrastructure is revealed. These unanticipated rebuilding expenses need to be added to the project budget. A second source is failure to recognize "orphaned costs" – i.e., costs that are left out of original estimates because they are off-site costs, or because the estimator is unclear whether they are to be included in the estimate.

In addition, the Agency has found environmental cleanup costs very difficult to estimate accurately. Much of the land in Oakland requires environmental remediation, and the degree of remediation required is often not easy to estimate before construction begins.

- *What tools does Oakland use to evaluate the redevelopment agency investment that is actually required to make a project feasible?*

CEDA generally has Agency staff review the applicant/developer's proposed pro-formas and uses internal guidelines to calculate required subsidies. On occasion, the Agency uses consultants, but that is the exception rather than the norm. There is no system of reviewing projects after they have been funded or completed to evaluate

whether the required subsidy was accurate or appropriate once the project is up and built.   In practice, this would be difficult, since Oakland has changed its data management system (from an IBM-based system to an Oracle-based system, similar to that used by Long Beach) and it would be difficult to retrieve and compare as-built data from the new system with estimates from the old system.

In some cases, financial pressures are leading CEDA to perform more careful subsidy calculations than they were required to do in the past. As demands for redevelopment financing have risen faster than available revenues, the Agency has been forced to be more careful about individual investments in order to make the available funds stretch further than they used to.

Recently, CEDA has been making roughly parallel and significant investments to support the extension of BART to the Fruitvale and Coliseum areas. In both cases, the Agency investments covered significant up-front costs in order to support the expansion of the transit system as a whole – well beyond what would have been offered for a similar development unrelated to the transit system. Part of CEDA assistance in each case was structured as a gap financing grant, and in the case of Fruitvale some have asked whether a loan rather than a grant could have been used. At the time the project was designed, CEDA considered a loan structure, but in the end had negotiated for the developer of the housing component to provide a deeper internal subsidy for affordable housing. During financing negotiations, it appeared that projected cash flow from the project could have supported either repayment of a gap financing loan from the Agency or covered additional operating costs in order to make some of the housing affordable to individuals with less income. CEDA chose to allow the developer to devote project resources to achieve the housing goal.

- *Does Oakland use any other tools to simplify or expedite project financing negotiations, and to avoid having to "re-start" negotiations when a selected developer cannot obtain project financing?*

Apparently not, however, there have been two instances (out of approximately 12 projects) when negotiations towards a DDA in downtown Oakland have failed. In one instance, a non-profit developer was unable to perform on two separate housing projects, and in a second case a for-profit developer was unable to reach a successful DDA on a commercial project. Staff believes that the developer's lack of experience in producing the specific types of projects needed was a factor in both cases.

- *How successful has Oakland been in leveraging other public and private foundation grants to supplement local agency project subsidies?*

Oakland has been successful in leveraging numerous types of grants and loans to supplement TIF resources for several of its projects. One factor in this success has been the demographics of the city, which make it eligible for a fairly wide range of state and federal assistance. A second factor has been the recent emphasis on projects related to transit, which also increases the pool of potential grant and loan funds. During the 1990s, Oakland achieved Enhanced Enterprise Community status with the federal Economic Development Administration, which resulted in eligibility for $22 million in loan funds. Some of those funds have been used on the transit village/TOD projects. According to staff, almost all of the Agency's "public" projects (i.e. infrastructure or public facilities) have some state monies in the mix of assistance. Projects involving private developers in the redevelopment of housing or commercial development sites

generally do not have grant or loan funds unless transit or affordable housing is involved.

CEDA has partnered with Bay Area Rapid Transit (BART), the Oakland Housing Authority, non-profit housing developers, for-profit commercial and residential developers, local business improvement districts, and local property and business owners to leverage specific project financing and support.

Oakland has been particularly successful in supplementing direct redevelopment project funding with grants, particularly for transportation-related planning and implementation. For example, in the Coliseum project area, the City and BART were awarded a Metropolitan Transportation Commission "Transportation for Livable Communities" (TLC) grant of $1.0 million for the Coliseum Transit Hub Streetscape Improvements. CEDA will contribute $130,000 in matching funds. The improvements will create a distinct pedestrian link between the area's existing land uses and the growing transportation hub at the Coliseum BART station, help calm traffic on San Leandro Street, and generally improve the walkability of the area. The Agency also plans to underground utility lines within the project area.

Oakland Coliseum Redevelopment Project Area

- *Are there other tools that Oakland has used to improve the flexibility of their financing systems of available revenue streams?*

The new Neighborhood Projects Initiative program, referenced earlier in this report, should enhance the flexibility of available revenue streams by devoting a portion of TIF revenues to small-scale, neighborhood-initiated public improvements and infrastructure that would otherwise probably not receive funding. Oakland has not merged any of its existing project areas, and does not have experience with the effect of mergers on overall financing flexibility.

4. Project Timing and Phasing

- *Is the Oakland experience with project timetables typical of experience in Long Beach, and if not, where are there differences?*

CEDA does not track or compile information on timelines for completed projects. However, staff indicated that both complex development projects (i.e. the transit villages) and projects requiring approval or oversight by other city agencies (such as Public Works) are often quite long. The Fruitvale Transit Village project discussed above has been in progress for 11 years. The Coliseum Gardens development has been in progress for five years, but only the public components (none of the private development) is currently under construction. Land acquisition for a proposed strip commercial center redevelopment has been in process for five years.

- *Does Oakland use other tools to avoid sources of project timing delays that appear to be most common in Long Beach, including:*

  o *Cost estimating;*

As noted above, Oakland believes that its cost estimating is fairly accurate, and that inaccurate estimates have only delayed projects where streetscaping costs or environmental remediation costs are involved. The Agency is working with Public Works to encourage better estimates, but has no specific tools in place to address this issue.

  o *False starts with partners that cannot develop the project;*

As noted above, CEDA has had relatively few cases where they have failed to reach a DDA with a proposed developer. Their experience leads them to focus on developers' track records, rather than local or political connections, wherever possible.

  o *Project design review*

Project design review is completed by Agency staff, and CEDA does not maintain records on how long the design review process takes for various types of projects. In some cases, design review has been a cause of delays.

  o *Adequate staffing and coordination*

Oakland has an ordinance requiring any public construction project costing $50,000 or more be reviewed by Public Works, and this has been a source of delay, particularly in the implementation of streetscape projects.   If Public Works indicates that it does not have the capacity to review or oversee the work, then they may authorize it to be contracted out. In the past, Public Works has reviewed and overseen most redevelopment streetscape projects itself, but recently indicated that six new streetscape projects could be contracted out. Similarly, two parks projects have been contracted out for design, but construction of the parks is generally overseen by Public Works.

5. **Public Involvement and Communications**

- *Is the Oakland experience in relationships between (a) the PACs and City Council, and (b) the PACs and redevelopment staff similar to that in Long Beach, and if not, what are the differences?*

Three of the six redevelopment project areas have Project Area Committees: The Broadway/MacArthur/San Pablo project area Committee, the Central City East (CCE) project area Committee, and the West Oakland project area Committee (WOPAC). All three PACs have a "sunset provision" that limits the length of time the PACs can operate in their project area. As in Long Beach, most PAC members are elected representatives and they must either live, own property, or own a business within the redevelopment area. However, unlike Long Beach, Oakland allows City Council members to assist in appointing some positions on each of the PACs. The result is a hybrid structure, with PACs having mostly elected members but some appointed members. Often, an appointed PAC member represents the CDBG district in which the project area is located.

This approach has strengthened Council participation in redevelopment (sometimes directly, but often through Council staff). From an Agency staff perspective, this requires more work. On the positive side, the Agency realizes the need for a strong connection between City Council and local redevelopment decisions, and the hybrid PAC structure seems to achieve that result.

The PACs in these three redevelopment areas are the primary means by which the public participates in redevelopment activities. The PACs meet regularly to discuss current and planned projects within the redevelopment area, and to provide input to the Redevelopment Agency Board.

The extent of community and PAC participation in redevelopment project areas appears high. The 17-member West Oakland PAC helps guide redevelopment in the large 1,546-acre West Oakland project area. After more than 50 meetings including sub-committee meetings, several community town hall forums, special community workshops, and extensive outreach (newsletters, slogan contests, neighborhood "meet and greet" sessions, office hours and direct mailings), the West Oakland PAC recommended approval of a final redevelopment plan two years after the PAC's formation.

Since approving the latest five-year implementation plan, the Central City East (CCE) project area Committee and the Agency have been laying out the details of redevelopment programs and policies for Central City East. They are currently prioritizing those programs and projects and will soon seek City Council approval for their proposed funding allocations. Staff believes that the Central City East has done a good job, in part because of their focus on project return on investment. This helps PAC leaders identify proposed projects that are off-topic and support ones that are closer to the core of the redevelopment plan. They are more inclined to ask "how much TIF will this generate?", and to support housing projects (because of recent significant TIF revenue stream increases brought about by rapidly rising residential values).

- *Does Oakland use public involvement mechanisms to supplement the PAC structure, or alternatives to the elected PAC structure, to obtain public involvement, and what is its experience with those systems?*

When the Coliseum Central project area was created in 1995, a PAC was not established. Instead, the citizen's advisory committee that was formed during the creation of the project area, the Coliseum Central Advisory Committee, transformed into a volunteer Coliseum Redevelopment Area Advisory Committee once the project area had been created.

In the case of large or complex projects, CEDA sometimes uses mass mailings or community charrettes to ensure that the views of those not involved in the PAC structure are considered. In the case of the Fruitvale Transit Village, individual notices were mailed to all properties within 200 feet of the proposed site.

- *Does Oakland evaluate PAC procedures or governance on a periodic basis, and if so, what tools do they use?*

CEDA does not have a process to review the performance or representation on the PACs.

- *Does Oakland conduct pro-active public communications efforts to educate the public in general about the role of redevelopment and local redevelopment successes (in addition to their project-specific public involvement efforts)?*

CEDA does not have a budget for a general public communications program unrelated to specific projects. Staff tries to attend most of the meetings of merchant associations in the various project areas, but this is sometimes impossible due to other demands on staff time.

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6. Internal Management and Evaluation

- *Does Oakland have in place a regular program to evaluate whether completed projects achieve their stated objectives and estimated impacts (including blight reduction, economic development, job creation, and tax base strengthening) over time? If so, do these systems enable the city to calculate cost-benefit ratios for completed projects?*

The Oakland CEDA does not have in place a regular system to monitor and evaluate the performance of its redevelopment projects over time, and does not calculate cost-benefit ratios for its projects. However, the City of Oakland moved to Performance-Based Budgeting several years ago (as Long Beach is now doing), and CEDA is held to the same requirements of performance measures as all other City agencies. Our review of categories relevant to CEDA, and to the Redevelopment Division in particular, shows a mixture of both input measures (e.g., how many loans were placed?) and output measures (e.g., how many jobs were created?). Although the number of measures for CEDA has been limited so far, this performance measurement is a very positive step forward in obtaining accurate project performance information.

In addition, the Agency does conduct focused project review on an ad hoc basis. For example, several years ago the Coliseum Redevelopment Area Advisory Committee requested that CEDA create an evaluation system. As a result, staff performed an evaluation on the Shoreline Project, a 30-acre area in which one technology company, one biotechnology company, and a new auto dealership had received assistance. The evaluation concluded that two of the three companies had been successful in creating the jobs that had been expected, and that the third company (the technology company) was struggling due to market conditions.

Staff describe the evaluation as "not fancy; mostly statistics". The Advisory Committee reviewed the report with assistance of an architect and attorney and presented follow-up questions related to the quality of the jobs created and whether local residents had been employed. On the whole, the Advisory Committee felt that the performance of the project, and the report itself, were adequate, and suggested that similar evaluations be performed on other projects in the future. Some felt that the Advisory Committee's response to the evaluation was harsh, while others felt that it accurately reflected the

mixed results of the Shoreline Project. It is important to note as well that this report was for internal use only, and was never released outside CEDA.

- *Do the Oakland agency or project accounting systems facilitate policy analysis (e.g., predicting versus actual costs), in addition to regulatory compliance?*

The degree of policy analysis permitted by the system is not clear. However, whatever its ability overall, its potential was compromised with the recent conversion of its system from IBM-based to Oracle-based system, making year-to-year comparison more difficult.

- *Does Oakland have in place efficient mechanisms for inter-departmental cooperation on project design (i.e. mechanisms by which the public, redevelopment staff, public works or construction staff, and project designers can negotiate project design with a minimum of wasted time)?*

One measure of the efficiency of Oakland CEDA is the percentage of its expenses that are categorized as administrative in its annual reports to the Secretary of State. Between 1999 and 2003 administrative costs ranged from 14.34% to 17.63% of total Agency expenditures – or an average of 16.06% over the period.

B. Pasadena Community Development Commission (PCDC)

1. Description of Program and Project Areas

General Structure and Governance. Pasadena, with a population of 140,000, is now in its fourth decade of active redevelopment. The Pasadena Community Development Commission (PCDC) was established with a mission: "To enhance the economic stability of the City through economic development and affordable housing programs." The PCDC focuses on the identification, development and/or revitalization of commercial and neighborhood project areas within Pasadena. The PCDC is responsible for the activities of eight Redevelopment project areas, which annually generate approximately $21,406,000 of tax increment, and an expanded Enterprise Zone located within the boundaries of the Downtown, Lincoln Avenue, Fair Oaks, Villa Parke, and Lake Avenue Redevelopment Project areas.   The Development Division of the Pasadena Planning and Development Department staffs the PCDC.

Old Pasadena
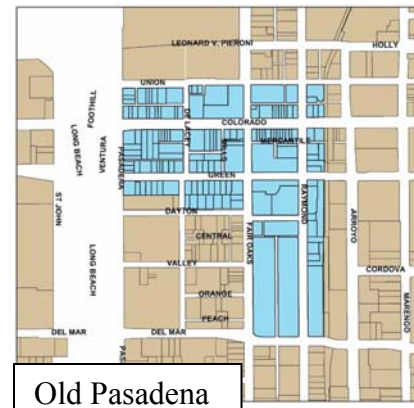
PCDC is separate from other city entities, and its board consists of the City Council members. Service on the City Council is considered a part-time position and City Council members receive annual payments of $13,824. The Community Development Committee (CDC) is a board of resident volunteers appointed by the PCDC to review and make recommendations to the PCDC on issues of concern within the redevelopment project areas. In some areas, PACs are also active in assisting PCDC regarding redevelopment issues.

Pasadena's redevelopment agency had an independent board of directors until the early 1970s. When the City Council took over board responsibilities, it converted the PCDC's former independent board into an (Advisory) Community Development Committee to be appointed by City Council. Each Council district has one appointee on the advisory Committee. This group used to have high levels of expertise in

Fair Oaks

redevelopment matters, but as an advisory group it is moving towards a focus on neighborhood/housing issues, and away from professional development expertise. All decisions regarding the use of tax increment financing or approval of DDA go first to the advisory Community Development Committee, and then to the PCDC, so the elimination of the independent board has not saved time in the approval of redevelopment projects. It does, however, increase the perceived accountability of City Council for redevelopment actions.
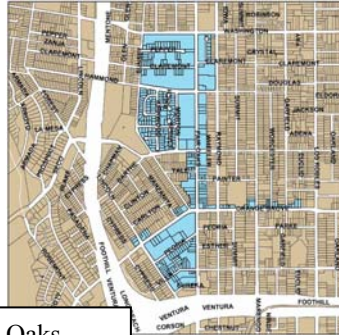
Redevelopment Project Areas and Programs. There are eight redevelopment project areas in Pasadena, as listed here. Maps of several of the redevelopment project areas are shown below.

Pasadena Redevelopment Areas
Downtown
Fair Oaks Avenue
Old Pasadena
Halsted/Sycamore
Lake/Washington
Lincoln Avenue
Orange Grove
Villa Parke

The PCDC works to stimulate commercial development and revitalization within the redevelopment project areas through business attraction and retention, job growth, and creation of improvements to selected commercial and/or public land parcels and spaces. Ongoing redevelopment programs in all areas include a Storefront Improvement Program and an active Affordable Housing Program through which financial assistance is made directly or indirectly to

very low, low and moderate-income households. Project area programs include restoration and rehabilitation of historic structures for residential or commercial reuse, commercial center developments, streetscape improvements, upgrades to existing housing, new affordable housing construction, and new mixed-use developments.

Downtown

More specifically, in the Old Pasadena project area, recently completed projects include the Old Pasadena Streetscapes and Alley Walkways Project. This project funded and completed public improvements such as street furniture, trash receptacles, lighting, signage, trees/tree grates, alley paving/signage improvements, and district and directional signage.

In the Fair Oaks Avenue project area[7], recently completed and ongoing redevelopment projects include construction of a 70,000 square feet retail shopping plaza, including

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[7] The Fair Oaks redevelopment area encompasses 157 acres and was originally established in 1964. The city extended the life of the plan from an original expiration date of 2000 to the year 2004.

Von's Grocery and an additional 14,000 square feet of neighborhood retail space. Other projects involved the relocation of a historic Victorian house and renovation to provide start-up office uses, construction of a new industrial and training facility for developmentally disabled adults, new mixed-use development containing 106 affordable rental units for seniors and 4,000 square feet of retail uses, and upgrades to an existing housing development with new paint, fences, doors, new recreation/playground, site and unit lighting, and window awnings.

In Pasadena's downtown project area, recent redevelopment projects include: completion of a 255,000 square feet office building with ground floor retail/commercial uses; planned streetscape improvements to the Civic Center District, including street and sidewalk paving, street lighting, trees, benches, trash receptacles, bollards, public art and signage; completion of the Paseo Colorado project – a 500,000 square feet retail commercial center with 400 residential apartments on a 3-block project site in the Civic Center District; a parking study to identify existing parking, utilization, and circulation needs on a future build-out for the Playhouse District; and a 38-unit condominium project with 18 moderate-income affordable units.

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2. Project Selection and Prioritization

- *To what extent is Pasadena determining that the lack of public facilities and improvements -- such as streetscape, alley paving, street lighting, parks, police stations, or libraries – constitute indicators of blight or social distress that should be addressed through redevelopment tools and funding?*

This does not appear to be happening in Pasadena. The PCDC is not engaged in aggressive expansions of the redevelopment program, and is more focused on implementation and maintenance of what it has. Many projects involve infrastructure financing – some in connection with commercial or residential development projects, and some in connection with local infill housing projects, or as freestanding public facility projects.

- *To what extent is Pasadena broadening its definition of "blight", or expanding the number or size of its project areas, in order to expand the areas in which redevelopment funding streams may be used (even if specialized redevelopment tools such eminent domain or relocation are not required)?*

This is occurring in Pasadena. As alternative funds shrink, pressure on the PCDC to meet unfunded needs increases. In the past, as in most cities, there have been some questions about determinations of blight, but the Agency has become more careful in this regard and there have been no controversies over blight determinations in recent years.

- *To what extent has Pasadena moved from large, expensive "downtown" projects towards smaller, less expensive "neighborhood" projects, and if so, how has it managed to maintain financial sustainability without large revenue generators?*

Even though Pasadena's General Plan states that all new growth should be directed towards the downtown area, and that single-family neighborhoods should be protected from change, it appears that a shift in redevelopment focus towards neighborhoods is occurring. One factor in this change is a shift in political power

towards neighborhoods and away from the traditional downtown power base, as well as a corresponding maturation of neighborhood organizations. In Pasadena, this shift has been evidenced through increasing demand for redevelopment funds to be used for parks, and for the rehabilitation of existing affordable housing stock (but not the construction of new affordable housing).

Agency staff stated that "we can no longer follow the Robert Moses model – just saying that we know what's best, and it involves a big downtown project." Increasingly, PCDC has been asked to fund smaller infrastructure and neighborhood improvement projects, as well as to support infill housing and City work programs. Smaller projects often mean more financial challenges, because public facilities constitute a larger share of the total project, and the revenue producing portion of the project is reduced. Financial constraints are a growing issue.

- *Is Pasadena using techniques to ensure that community preferences are reflected to the greatest degree feasible within the legal constraints of the California Redevelopment Act and the financial constraints of the project area?*

PCDC has learned that it needs to be "nimble" and "opportunistic" (in a good way), provided that choices are made within the purposes and objectives of the established redevelopment program. The Agency has responded quickly when properties were unexpectedly offered for sale and were deemed important to accomplish defined objectives. For example, when Dacor (a manufacturing company) was purchased by another company and relocated, PCDC offered incentives to convince the Art Center College of Design to purchase and reuse Dacor's urban campus. The completed project has had a significant impact within a corridor planned for bio-tech and other research and development uses, even though no one had foreseen this specific opportunity to achieve that goal.

3. Project Financing

- *How successful has Pasadena been in estimating future project costs? What tools does it use to improve the accuracy of estimating (a) land acquisition costs and (b) project development costs?*

Cost estimates for projects are often done very quickly in response to pressure from one of several possible sources. PCDC finds that there are almost always cost increases over initial estimates. Although the Agency strives to improve its accuracy in estimating, no specific tools are being used to do so.

- *Are there other tools that Pasadena has used to improve the flexibility of their financing systems of available revenue streams?*

PCDC believes that merging the Fair Oaks, Lincoln, Lake/Washington, Villa Parke, and Orange Grove project areas would significantly improve flexibility to finance needed projects. In part, this is because the Orange Grove project area has a very low TIF basis and the potential to generate significant revenues that could be used in other project areas. To date, however, some of the PACs have opposed the merger, and it has not been successful. The PCDC believes this is a key strategy in making redevelopment resources available to the types of low- and moderate-income

neighborhoods with the greatest needs, however, and will continue to work towards a future merger.

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4. **Project Timing and Phasing**

- *Is the Pasadena experience with project timetables typical of experience in Long Beach, and if not, where are there differences?*

PCDC's general impression is that timing issues cited in the Long Beach case studies are not unique to Long Beach, but are fairly typical in redevelopment.

- *Does Pasadena use other tools to avoid sources of project timing delays that appear to be most common in Long Beach, including:*

    o *Cost estimating*
    PCDC is not using specific tools to improve performance in this area

    o *False starts*
    Pasadena has not had many instances in which an applicant or developer was unable to reach a successful DDA or unable to complete an approved project pursuant to a DDA. In the few cases where this has occurred, it has generally reflected the inexperience or financial weakness of the applicant/developer. PCDC tries to address this potential source of time delay through early research to find applicants and developers with successful track records in the types of development required.

    o *Project design review*
    Pasadena has an architect in the planning department who performs in-house design review, which avoids the need to organize or contract for project specific design review assistance.

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5. **Public Involvement and Communications**

- *Is the Pasadena experience in relationships between (a) the PACs and City Council, and (b) the PACs and redevelopment staff similar to that in Long Beach, and if not, what are the differences?*

In Pasadena, two PACs assist the PCDC establishing priorities in the Fair Oaks and Lincoln Avenue project areas. Both PACs were established by elections concurrently with the project area formation or amendment, and have continued beyond their statutorily required three-year term. The public is invited and encouraged to attend PAC meetings to provide additional input. Unlike some other cities, Pasadena has not moved to a "hybrid" PAC structure – i.e., it has not moved to supplement elected members with appointed members – or replaced the PACs with appointed advisory groups.

PCDC's experience with PACs has been mixed, and in some respects similar to that in Long Beach. One of the PACs has become a self-perpetuating group that does not have much interaction with staff, and has lost some respect in the neighborhood and with PCDC staff. Staff views the second PAC as fairly representative of the neighborhood. Nevertheless, all proposed decisions affecting the project area are sent to the PACs for

comment, and the comments from the PACs are always forwarded to other advisory groups and decision-makers. At one point, the Pasadena City Council tried to phase out the elected PACs following their three-year statutory period, but PACs opposed termination and the effort was dropped. At the present time, contention over proposed redevelopment projects is less likely to arise from within PACs as from other activist neighborhood organizations.

PCDC believes that one way to help PACs continue to play a productive role is to encourage them to focus not only on redevelopment but on broader neighborhood and community issues. Doing so broadens their credibility, encourages participation by a broader group of citizens, and increases the likelihood that their recommendations and decisions will reflect broad based redevelopment desires rather than narrow or historical agendas. The PCDC also finds that PAC involvement leads redevelopment projects to be less ambitious than they otherwise might be – i.e. they tend to temper larger proposals into more moderate programs. The PCDC also encourages the emergence of strong leaders for PACs when it can.

- *Does Pasadena use public involvement mechanisms to supplement the PAC structure, or alternatives to the elected PAC structure, to obtain pubic involvement, and what is its experience with those systems?*

PCDC only occasionally uses public involvement mechanisms to supplement the PAC process. As the PACs have broadened their areas of interest and involvement, they have also improved their effectiveness as advisors to redevelopment projects.

- *Does Pasadena conduct pro-active public communications efforts to educate the public in general about the role of redevelopment and local redevelopment successes (in addition to their project-specific public involvement efforts)?*

PCDC does not have a public relations program independent of its outreach efforts for specific proposed projects and plans.

6. **Internal Management and Evaluation**

- *Does Pasadena have in place a regular program to evaluate whether completed projects achieve their stated objectives and estimated impacts (including blight reduction, economic development, job creation, and tax base strengthening) over time? If so, do these systems enable the city to calculate cost-benefit ratios for completed projects?*

Pasadena does not have a regular system to monitor and evaluate the performance of its redevelopment projects over time, and does not calculate cost-benefit ratios for its projects. The job of monitoring and evaluation is made more difficult because objectives established at the beginning of a project are not always clear enough to guide later project selection choices, or to support meaningful evaluation of how the agency performed. The PCDC does not evaluate potential or completed projects in terms of cost-benefit ratios, and is not aware of any redevelopment agencies that do that type of analysis. The PCDC is, however, conservative regarding fiscal planning, and does assess fiscal impacts of its project on a regular basis. Social benefits are assessed largely on the basis of current perceptions of success, rather than comparisons with historic measures or indicators.

- *Does Pasadena have in place efficient mechanisms for inter-departmental cooperation on project design (i.e. mechanisms by which the public, redevelopment staff, public works or construction staff, and project designers can negotiate project design with a minimum of wasted time)?*

The Director of PCDC chairs a monthly meeting of EDIC (Economic Development Involvement Committee) attended by any department head (or representative) who wants to be involved, as well as the city manager, to discuss redevelopment issues. Discussions cover coordination of policy direction and work process coordination. The director believes this regular meeting has been important in controlling project costs.

One measure of the efficiency of the PCDC is the percentage of its expenses that are categorized as administrative in its annual reports to the Secretary of State. Between 1999 and 2003 administrative costs ranged from 9.41% to 14.51% of total Agency expenditures – or an average of 12.68% over the four-year period.

- *Does Pasadena have in place efficient systems to ensure quality architectural design of proposed projects, either through a staff architect/designer or through an efficient design review process? If so, how long does it typically take to review architectural designs for proposed projects?*

Pasadena uses an in-house architect to review proposed project designs. Timeframes for review differ depending on the type of project.

C. Sacramento Housing and Redevelopment Agency (SHRA)

1. Description of Program and Project Areas

General Structure and Governance. The Sacramento Housing and Redevelopment Agency (SHRA) is responsible for redevelopment activities in the City of Sacramento, as well as Sacramento County. The SHRA is a combined redevelopment and housing authority, established under California law as a joint powers authority representing both the City and County of Sacramento.   The Sacramento Housing and Redevelopment Commission is an 11-member body that oversees all activities, programs, and services undertaken by the Sacramento Housing and Redevelopment Agency. Members of the Commission are appointed to serve four-year terms. Six members are appointed by the Sacramento County Board of Supervisors and five are appointed by the Sacramento City Council. The City Council is the governing body for projects located in the City, and the Board of Supervisors is the governing body for projects located in the County. The Sacramento City Council is a full-time body whose members earn a salary of $ 50,000 plus expense allowances totaling approximately $16,500 annually.

Creation of new project areas, approval of new projects, and all major decisions regarding development must be taken first to the PAC or appointed RAC (if one exists for the area), second to the (advisory) Redevelopment Commission, and finally to the City Council or Board of Supervisors – a process that can take approximately six weeks. Although the Redevelopment Commission is advisory, staff generally endeavors to address the concerns of the Commission before moving forward with a project.

Redevelopment Project Areas and Programs. The SHRA has thirteen redevelopment project areas, as listed in the table.

Importantly, the project areas managed by SHRA do not include any part of the downtown area of Sacramento. Responsibility for downtown redevelopment projects was split off from SHRA about nine years ago, and is now managed by the City's Economic Development staff.

Sacramento Redevelopment Areas
Alkali Flat
Army Depot
Auburn Boulevard
Del Paso Heights
Downtown
Franklin Boulevard
Mather/McClellan Air Force Base
North Sacramento
Oak Park
Richards Boulevard
Stockton Boulevard
Walnut Grove
65th Street

The wide variety of redevelopment projects in Sacramento includes redevelopment of a portion of the closed Mather/McClellan Air Force base for new mixed-income housing; rehabilitation of historic buildings in residential neighborhoods and along older commercial corridors for office, residential, or mixed use; transit-oriented planning and development; environmental remediation of contaminated properties; streetscape and capital street design and improvements (drainage and sidewalks); business façade improvements; mixed income and affordable housing; office building and retail developments; park improvements; and construction of new public parking lots. SHRA also administers CDBG and HOME funds for the City and County.

SHRA has partnered with the City to undertake master planning in redevelopment areas. For example, in the Alkali Flats project area, the SHRA and the City created the Gateway Master Plan that identifies recommended circulation plans for pedestrians and bicyclists, streetscape design, and infrastructure improvement that may include

sidewalk improvements, lighting, and other improvements within the right-of-way.

Because it is a blended housing and redevelopment agency, SHRA's project list includes a considerable number of housing programs. For example, SHRA recently instituted a new program called the "vacant lot development program." This program pays developers who build affordable single-family homes on vacant lots in distressed neighborhoods. The payment increases as house size increases (more bedrooms/baths). SHRA also administers no-interest, 20-year deferred payment home rehabilitation loans (up to $50,000 for substantial improvements to the real property). Low-income households are eligible in target neighborhoods, many of which are in redevelopment areas.

Other SHRA programs include zero interest loans and grants to commercial business owners to improve their buildings. Started in 1985 as purely a grants program, this program improved more than 700 properties. The program closed in 2002 after the agency was inundated with applications. However, SHRA reopened the program in 2003 with some significant changes, including the availability of loans as well as grants, and with new requirements for private matches. The loans are zero-interest, up to a maximum of $50,000, and require a 10% private match. Grants are also available up to a maximum of $50,000, but require a 50% private match.

A recent "centerpiece" project was the agency's financing of the 40 Acres Complex and Guild Theatre commercial redevelopment project in the Oak Park redevelopment area, which has acted as a catalyst to restore pedestrian friendly patterns in the neighborhood. The restored theater houses a music school and space for live performances, while the ground-floor is home to a new Starbucks. The project also includes affordable rental housing. The Agency provided $2.8 million in loan funds for the 40 Acres redevelopment project.

Finally, in a concerted effort to target more of its resources at neighborhood-level needs, the SHRA has teamed with other county partners to implement a Quality Neighborhood Program. The program is in effect in three different neighborhoods that needed a comprehensive revitalization approach due to the following factors:

- o   Insufficient property management,
- o   Lack of adequate property and landscape maintenance,
- o   Owners' lack of financial ability or willingness to adequately address rehabilitation needs,
- o   High incidence of crime,
- o   High incidence of nuisance activity, and
- o   Substandard, unhealthy, or deteriorated housing.

There are three major components to the Quality Neighborhoods Program. Each component has a set of improvement standards that will be implemented as necessary to meet the revitalization needs of the target projects. The components are: (1) Owners' Association/Unified Property Management, including district-wide opportunities to pool resources, as well individual property management opportunities; (2) Financial and Non-Financial Incentives, including targeted capital improvements and assistance in private-party acquisitions; and (3) Enforcement. Staffing of the "Quality Neighborhoods Team" consists of (1) SHRA Community Development staff; (2) Sheriff's Department; (3) County Department of Planning/Code Enforcement; and (4) District Attorney Community Prosecutor.

2.   Project Selection and Prioritization

- *To what extent is Sacramento determining that the lack of public facilities and improvements – such as streetscape, alley paving, street lighting, parks, police stations, or libraries – constitute indicators of blight or social distress that should be addressed through redevelopment tools and funding?*

Because SHRA is responsible for both housing and redevelopment, most of its projects involve housing construction or rehabilitation, commercial redevelopment, or public facilities. It is common for these types of projects to have an infrastructure component, and it is also common for SHRA to fund infrastructure components unrelated to a commercial or housing project. The Agency tries to use its infrastructure dollars to supplement capital improvement program (CIP) funds (i.e. to do something above and beyond what the city's CIP can cover, or faster/earlier than CIP would otherwise address the need) – rather than replacing CIP funds.

- *To what extent is Sacramento broadening its definition of "blight", or expanding the number or size of its project areas, in order to expand the areas in which redevelopment funding streams may be used (even if specialized redevelopment tools such eminent domain or relocation are not required)?*

In Sacramento, all but two City Council districts have redevelopment project areas in them, and there is pressure to expand or create new districts to allow redevelopment to operate in some of the remaining areas. The Councilperson for one of those two districts would like to see a redevelopment area designated in the district, but SHRA has not yet completed its study of "blight" in the area. Recently, another blight designation was challenged, and the City is being careful to avoid another challenge.

- *To what extent has Sacramento moved from large, expensive "downtown" projects towards smaller, less expensive "neighborhood" projects, and if so, how has it managed to maintain financial sustainability without large revenue generators?*

This appears to be happening in Sacramento. Because the city has very little vacant land, there are few large development parcels or opportunities. Projects like improvements to existing parks, streetscaping, and street lighting are popular with the PACs and RACs. Infrastructure upgrading projects in support of existing housing has also been funded. Eminent domain powers are available in most project areas, but are used "moderately". Because the Agency is also responsible for housing programs, many of their neighborhood-oriented programs are focused on the housing stock (such as boarded-and-vacant home sales, new housing construction subsidies, and housing rehabilitation loans).   SHRA also manages a commercial revitalization façade improvement program aimed at neighborhood commercial areas.

- *Is Sacramento using techniques to ensure that community preferences are reflected to the greatest degree feasible within the legal constraints of the California Redevelopment Act and the financial constraints of the project area?*

It appears that Sacramento uses roughly the same approach used by Long Beach, although most of its public outreach is with appointed (rather than elected) RACs. (see below).

3. **Project Financing**

- *How successful has Sacramento been in estimating future project costs? What tools does it use to improve the accuracy of estimating (a) land acquisition costs and (b) project development costs?*

Staff believes that Sacramento has been fairly accurate in its estimates of project acquisition and purchase prices, unless a project gets stalled and there is significant inflation in the costs of construction materials before the project can be restarted.

- *Does Sacramento use any other tools to simplify or expedite project financing negotiations, and to avoid having to "re-start" negotiations when a selected developer cannot obtain project financing?*

There have been approximately eight occasions on which SHRA has entered into an Exclusive Negotiating Agreement (ENA) and then failed to negotiate a Development and Disposition Agreement (DDA). In all but one of those cases, the proposed developer was a non-profit entity with a desire to complete a particular project, but with very little experience in either real estate development or projects of the type envisioned. In one case the board of directors of the non-profit developer changed its mind once the complexities of the project became apparent. The Agency continues to work with both for-profit and non-profit applicant/developers, but now spends more time researching the strengths and abilities of all its developers before entering negotiations.

- *How successful has Sacramento been in leveraging other public and private foundation grants to supplement local agency project subsidies?*

Because many of the Agency's projects involve housing development or redevelopment, it has been particularly active in leveraging housing-specific loans and grants to complete housing projects.

- *Are there other tools that Sacramento has used to improve the flexibility of their financing systems of available revenue streams?*

The SHRA feels somewhat hampered by the small size of some of their existing project areas – some of which are specific to a particular commercial strip or few parcels of land. They are interested in finding bigger assemblages and undertaking somewhat larger projects that may create more of an impact.

In two cases, the SHRA has merged project areas. The first merger involved consolidating four project areas into the current Downtown project, which occurred many years ago. The second case involved the recent merger of two areas involving air force bases into the Mather-McClellan project area. The Agency believes that this will provide significant flexibility to address multiple issues, since the property tax base value is very low and the area is expected to generate significant TIF revenue.

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4. **Project Timing and Phasing**

- *Is the Sacramento experience with project timetables typical of experience in Long Beach, and if not, where are there differences?*

SHRA requires its staff to have specific timelines for both project design and approval, and for project implementation. In addition, the Agency invests significant time in the creation of detailed implementation plans to ensure that there are clear understandings between the various parties, and uses checklists to ensure that all aspects of implementation have been covered.

When negotiating redevelopment assistance for a known owner or developer (i.e. a project that does not include developer selection) staff estimates that it often takes approximately two months to refine the project concept and then four months to research and document the details of the assistance package. When selection of a developer is required, negotiation of the DDA requires several more months.

- *Does Sacramento use other tools to avoid sources of project timing delays that appear to be most common in Long Beach?*

  o *Cost estimating*
  As noted above, Sacramento believes that its cost estimating is fairly accurate and that inaccurate estimates have not been the cause of significant project delays or re-designs.

  o *False starts with partners that cannot develop the project;*
  As mentioned above, there have been approximately eight occasions on which SHRA has entered into an Exclusive Negotiating Agreement (ENA) and then failed to negotiate a Development and Disposition Agreement (DDA).   SHRA increasingly invests time in up-front research into project economics and the capabilities of project applicants. Once a DDA has been signed, virtually all of them move forward to completion.

  o *Adequate staffing and coordination.*
  A project review committee meets once a week with representatives from all departments to review proposed initiatives and make a determination as to which ones have adequate potential to move forward. The committee also decides what resources might be used for the effort and who needs to staff each phase of the project. The Agency sets internal timelines for project implementation and judges performance against those timelines.

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5. Public Involvement and Communications

- *Is the Sacramento experience in relationships between (a) the PACs and City Council, and (b) the PACs and redevelopment staff similar to that in Long Beach, and if not, what are the differences?*

In contrast to the elected Project Area Committees in Long Beach that continue after a project area is established, ongoing public participation in Sacramento redevelopment is typically provided through eight appointed "Redevelopment Advisory Committees" (RACs). The city has established a practice of transitioning away from elected PACs in favor of appointed RACs after the three year statutory period expires. SHRA works closely with City Council members to establish consistent policies regarding the structure of PACs, and to help convert existing elected PACs into bodies that comply with the city's policies for such groups.

In part, the policy towards appointed RACs reflects the city's general policy in favor of term limits and belief that no public body should be able to continue without regular membership change over time. In general, appointed RACs are structured to have as many as 12 members, including three residential owner occupants and three renters. The city also avoids the creation of new elected PACs where possible – and recently structured the new 65th Street project area without eminent domain powers partly to

avoid the need to create an elected PAC. Similarly, the Army Depot project area was amended to avoid the need for an elected PAC. All but one of the current RACs are appointed by City Council; one remaining elected PAC that does not meet the city's standards (Alkali Flats) remains in place. While SHRA continues efforts to transform this last PAC into a body with term limits that meets city standards, it is also relying on alternate outreach systems to receive input on proposed projects from those outside the existing PAC.

One conversion from an elected PAC to an appointed RAC was completed this year, although the groundwork for the conversion had been laid through extensive discussions over the past year. An outreach effort was conducted to invite members of the existing PAC, as well as other residents of the project area, to apply for positions on the appointed body. The review and interview panel was made up of a representative of SHRA staff, a representative of City Council, and a staff member from the Neighborhood Services Department. Numerous applications were received, including six from members of the existing PAC, and about 40 persons were interviewed for 12 positions. Following interviews, the group recommended 12 names, of which only one was a carryover from the elected PAC, and the City Council approved the recommended board. Each RAC member is appointed for a two year term.

- *Does Sacramento use public involvement mechanisms to supplement the PAC structure, or alternatives to the elected PAC structure, to obtain pubic involvement, and what is its experience with those systems?*

As mentioned above, the SHRA has used alternative outreach methods when elected PACs have been unwilling to conform to the city's policies for public advisory groups. In general, though, Sacramento uses the appointed RACs as its primary conduits for public input on redevelopment matters.

- *Does Sacramento evaluate PAC procedures or governance on a periodic basis, and if so, what tools do they use?*

Sacramento does not have a formal evaluation system for PACs or RACs.

- *Does Sacramento conduct pro-active public communications efforts to educate the public in general about the role of redevelopment and local redevelopment successes (in addition to their project-specific public involvement efforts)?*

The SHRA has a public information officer charged with organizing communications to the public in general. The Agency recently adopted a new communications plan that includes an electronic newsletter and web site. The Agency has not conducted mass mailings in the recent past, but is considering re-starting that practice for certain circumstances. When organizing a large or complex project, the public information officer arranges outreach beyond the PACs or RACs in the affected area.

6. Internal Management and Evaluation

- *Does Sacramento have in place a regular program to evaluate whether completed projects achieve their stated objectives and estimated impacts (including blight reduction, economic development, job creation, and tax base strengthening) over*

> *time? If so, do these systems enable the city to calculate cost-benefit ratios for completed projects?*

SHRA does not have a system in place for monitoring and evaluation of its projects. However, the Agency does use a short budget scorecard that evaluates its performance against SHRA's five operational goals. A copy of the Sacramento scorecard is attached as an exhibit to this report.

- *Does Sacramento have in place efficient mechanisms for inter-departmental cooperation on project design (i.e. mechanisms by which the public, redevelopment staff, public works or construction staff, and project designers can negotiate project design with a minimum of wasted time)?*

One measure of the efficiency of the SHRA is the percentage of its expenses that are categorized as administrative in its annual reports to the Secretary of State. Between 1999 and 2003 administrative costs ranged from 5.08% to 9.06% of total Agency expenditures – or an average of 7.87% over the four-year period.

- *Does Sacramento have in place efficient systems to ensure quality architectural design of proposed projects, either through a staff architect/designer or through an efficient design review process? If so, how long does it typically take to review architectural designs for proposed projects?*

SHRA uses staff architects to review proposed designs. RACs sometimes complete extensive reviews of proposed project designs. Frequently, the RACs will ask to be briefed first, and will then form a project review subcommittee. The subcommittee will then review the project in more detail and present its recommendations to the full RAC If SHRA is financing the project, the PAC or RAC will review a preliminary design before a request for funding is submitted, and then again when the project goes through staff architect design review.

D. San Diego Redevelopment Agency (SDRA)

1. Description of Program and Project Areas

General Structure and Governance. The Redevelopment Agency of the City of San Diego was created by the City Council in 1958 to alleviate conditions of blight in older, urban areas. Although the Redevelopment Agency is a separate, legal entity, the City Council serves as its legislative body. In the past, the Mayor chaired the Agency, the City Manager was the executive director, and the City Attorney served as general counsel to the Agency. Community and Economic Development Department serves as staff to the Agency. This structure is now changing, however, as San Diego moves towards a "strong mayor" form of government with a City Administrator (rather than a City Manager). At this point, it appears that the SDRA will become a department outside of the formal city structures, and its director will report directly to the mayor (no longer through the intermediary of the City Manager). The City Council of San Diego is a full-time body whose members receive an annual salary of $75,386.

Agency staff coordinate budget and reporting requirements, prepare the Redevelopment Agency Docket, and maintains the SDRA's official records. Staff also coordinates the activities of the Agency's two public, nonprofit corporations, (1) the Centre City Development Corp. (CCDC), and (2) Southeastern Economic Development

Corp. (SEDC).   The Redevelopment Agency's 16 redevelopment project areas encompass more than 8,000 acres of land.   Six of those project areas covering approximately 2,500 acres are managed primarily by CCDC and SEDC. The ten project areas managed by SDRA (rather than by the non-profits) are listed below.

It is a common perception that CCDC and SEDC are "independent" of the Agency, but that is not the case. Although both CCDC and SEDC have significant autonomy to perform the duties that would otherwise be performed by SDRA staff (including solicitation, design, and packaging of redevelopment projects in their respective areas), their actions are in fact forwarded to the Deputy Director of SDRA, who forwards them to the City Manager and City Council for action.

The Centre City Development Corp. (CCDC) was established in 1975 by the City Council to carry out redevelopment activities in downtown San Diego. CCDC has a seven-member board of directors and a staff to implement programs in its project areas comprising approximately 1,490 acres. CCDC administers two redevelopment project areas: (1) Centre City (Core/Columbia, Cortez, East Village, Gaslamp Quarter, Little Italy, Marina); and (2) Horton Plaza.

The Southeastern Economic Development Corp. (SEDC) was established by the City Council in 1981 to carry out redevelopment in southeastern San Diego. SEDC has a nine-member board of directors and a staff to implement programs in its project areas that comprise approximately 1,055 acres.   SEDC administers four redevelopment project areas and one study area: (1) Central Imperial; (2) Gateway Center West; (3) Mount Hope; (4) Southcrest; and (5) Dells Imperial Study Area.

Interestingly, although both CCDC and SEDC have boards (as described above) that review and screen projects developed by their staff and PACs, the SDRA itself does not have an advisory governance board that screens and approves proposals before forwarding them to the City Manager (now Mayor) and City Council for action. Staff believes that this structure works well.

Because the relationships between CCDC and SEDC and the City of San Diego occur through SDRA, our comparison city work focused on the structure and performance of SDRA itself.

Redevelopment Project Areas and Programs. Approximately 9% percent of San Diego's land area is located in a redevelopment project area. The ten project areas and one survey under SDRA management are listed below, and some of the larger project areas are described below.

San Diego Redevelopment Areas
Barrio Logan
City Heights
College Community
College Grove
Crossroads
Linda Vista
Naval Training Center
North Bay
North Park
San Ysidro
Grantville (Survey Area)

- **Barrio Logan** The Barrio Logan Redevelopment project area is located in a mixed-use community near downtown San Diego at the foot of the San Diego/Coronado Bay Bridge. The 1960's construction of Interstate 5 through the Barrio Logan community brought with it the location of industrial hazards and trucking pollutants that have raised claims of environmental injustice for this predominantly Mexican community. Redevelopment objectives include a broad

range of blight and economic development objectives, but mention light industrial, manufacturing, multi-family and senior housing, and transit improvements. For a variety of reasons, including location and weak markets, the Barrio Logan area has been slow to see significant redevelopment projects.

- **Crossroads.** In 2003, the City of San Diego created the Crossroads Redevelopment project area, which covers over 1,000 acres of land.   The focus of the Crossroads Redevelopment Plan is to revitalize the properties along El Cajon Boulevard,   University   Avenue, Streamview Drive, and College Avenue, as well as the residential areas in Fox Canyon and Chollas Creek. The goal of the Redevelopment Plan is to address the physical conditions that exist along these corridors and to have a positive impact on the adjoining single-family neighborhoods.


- **City Heights.** The City Heights Redevelopment project area contains almost 2,000 acres of land in several community planning areas. The centerpiece of the project area is the City Heights Urban Village, a public/private partnership effort that encompasses nine City blocks. Two other projects in the area include the Regional Transit Center and the Interstate 15 Corridor.

- **Naval Training Center and North Bay.** Over the next several years, the former Naval Training Center (NTC) will be transformed into a new urban village called Liberty Station.   Following several years of planning,   including   extensive   public involvement, the San Diego City Council adopted a final Reuse Plan in October 1998. The adjacent North Bay Redevelopment project area contains over 1,300 acres of lands along Interstate   5,   Pacific   Highway,   Morena Boulevard, and the City's Midway District, and its Redevelopment Plan focuses on encouraging a wide variety of development along those corridors.

- **San Ysidro.** In order to create a new world-class gateway between the cities of San Diego and Tijuana, the city created the San Ysidro Redevelopment project area. At over 700 acres in size, the San Ysidro area represents another major redevelopment opportunity for the San Diego, and will focus on business development, business retention, and tourism development.

- **Grantville Survey Area.** In addition to its ten existing project areas, the SDRA is in the process of formulating a plan to facilitate the continued economic viability of the Grantville area. The survey area covers more than 1,400 acres of land in the Navajo and Tierrasanta community planning areas, and the intention is to ensure the continued viability of the commercial, industrial and retail districts in the face of growing competition from newer competing areas. The new project area, if formed, would also help finance building and façade rehabilitation, industrial

pollution mitigation, parking and circulation projects and streetscape improvements.
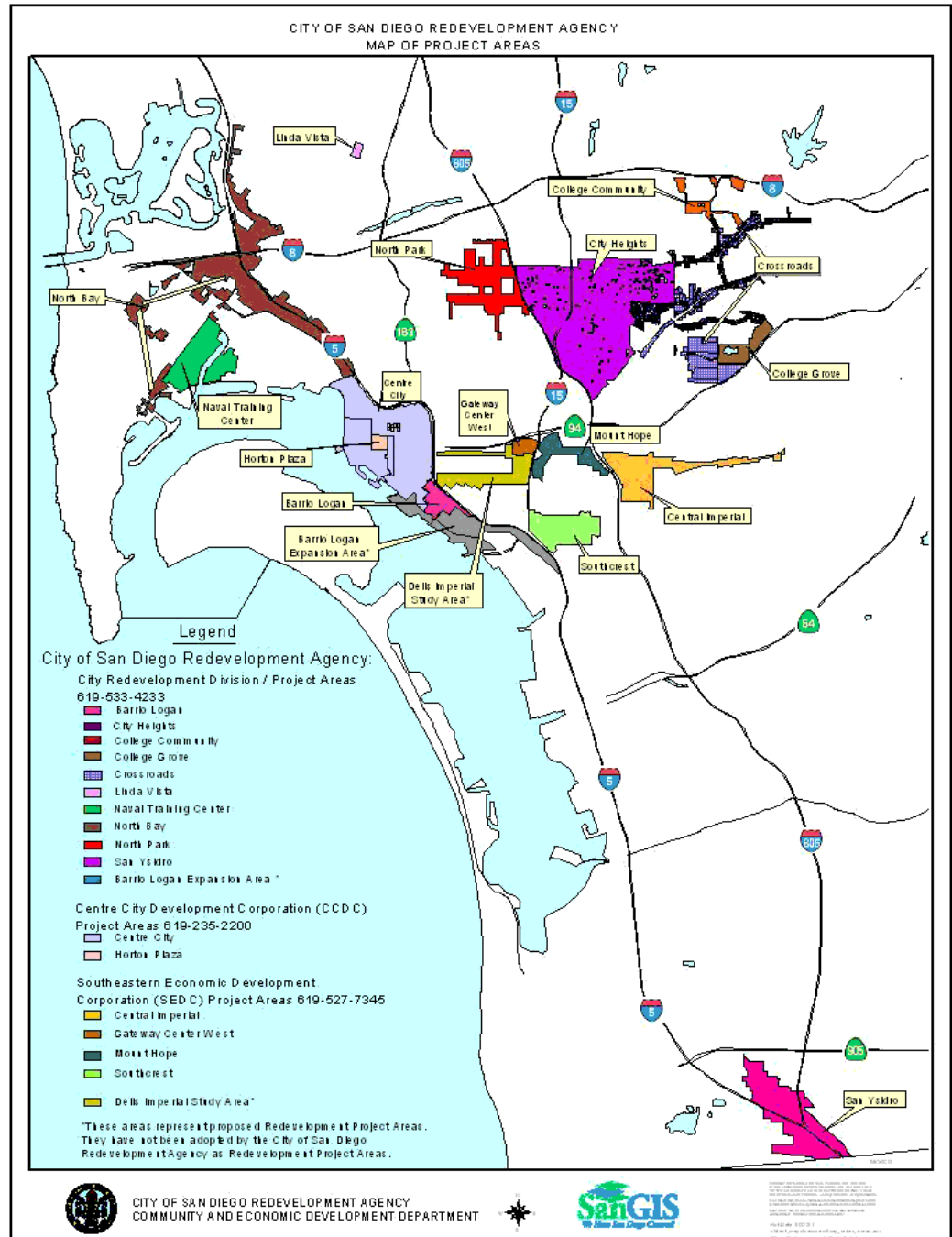
2. **Project Selection and Prioritization**

- *To what extent is San Diego determining that the lack of public facilities and improvements -- such as streetscape, alley paving, street lighting, parks, police stations, or libraries – constitute indicators of blight or social distress that should be addressed through redevelopment tools and funding?*

SDRA has found that lack of public facilities is increasingly being presented as evidence of blight that should be addressed by redevelopment. In at least one notable instance, the Agency has also front-ended major infrastructure and public facility improvements in order to lay the foundation for private development phases later on. In the City Heights Urban Village, the Agency worked collaboratively with the school district to set forth a six-phase development program. Phases one through four involved front-loaded public investments to convert an empty grocery store to public uses, construct a new elementary school, improve and expand a city/school park facility adjacent to the school, construct a community college building, and complete parking and streetscaping improvements. Only in phases five and six does the redevelopment plan call for private development of a shopping center, office building and housing. This plan reflected a conscious decision to upgrade the neighborhood quality and image by showing significant public commitment in order to increase the chances of success (and hopefully lower the subsidies required) for private development. Without significant changes in the neighborhood, economic analysis showed that the shopping center redevelopment would be risky. In addition, it was dictated in part by political interests (which wanted to see the public improvements first). Staff emphasize that this was an exceptional effort that was too expensive to replicate as a general approach to neighborhood redevelopment, but was justified because of the strategic importance of the site and surrounding neighborhood.

- *To what extent is San Diego broadening its definition of "blight", or expanding the number or size of its project areas, in order to expand the areas in which redevelopment funding streams may be used (even if specialized redevelopment tools such eminent domain or relocation are not required)?*

SDRA staff believes that redevelopment is best used when it works in very blighted areas to serve as a catalyst and to finance non-market deals that help turn neighborhoods around. Nevertheless, the Agency is facing pressures to expand programs into areas that are less blighted in order to provide financing for needed facilities. Nevertheless, SDRA does not anticipate that new project areas will be approved in the future. The Grantville area currently under consideration will probably be the last one approved.

- *To what extent has San Diego moved from large, expensive "downtown" projects towards smaller, less expensive "neighborhood" projects, and if so, how has it managed to maintain financial sustainability without large revenue generators?*

There has definitely been a move towards neighborhood-oriented projects. SDRA has helped to finance libraries, public infrastructure, community service centers, and police facilities. Although the Agency has received requests to fund park improvements, some staff is still uncertain whether parks improvements can produce documented reductions in blight. SDRA is reluctant to pursue "checkbook redevelopment" (i.e. the financing of public facilities to promote redevelopment) unless there are also

investments in TIF-generating housing or commercial projects, because "you're only as good as your increment".

- *Is San Diego using techniques to ensure that community preferences are reflected to the greatest degree feasible within the legal constraints of the California Redevelopment Act and the financial constraints of the project area?*

The City Council members are clearly the focal points for local preferences in the use of redevelopment funds. In fact, some feel that City Council views the SDRA as a public works agency.

PACs are divided in their desire for affordable housing, but some City Council members support it because of needs in their districts. This is a point of tension between the PACs and Council. There have been several instances when City Council has approved projects incorporating affordable housing elements in spite of opposition from the PACs.

3. Project Financing

- *How successful has San Diego been in estimating future project costs? What tools does it use to improve the accuracy of estimating (a) land acquisition costs and (b) project development costs?*

SDRA believes that its cost estimates have been relatively accurate, except in unusual years where prices of materials experience significant and unexpected inflation. This year was one of those years, and required significant adjustments to cost projections during the project design and approval stages.

- *What tools does San Diego use to evaluate the redevelopment agency investment that is actually required to make a project feasible?*

SDRA uses consultants to analyze and calculate required project subsidies, but does not have a system in place to review the accuracy of those calculations after the fact. Recently, the Agency has moved towards DDAs that allow the Agency to recapture a portion of project profits if returns exceed defined thresholds.   In addition to potentially generating revenue for the SDRA, these provisions also act as a hedge against subsidy calculations that were inadvertently generous to the developer. SEDC has been implementing upside recapture provisions for some time.

- *How successful has San Diego been in leveraging other public and private foundation grants to supplement local agency project subsidies?*

The Agency urges developers (particularly housing developers) to pursue loans and tax credits whenever possible. In addition, the SDRA has had some success in obtaining EDDI grants and HUD 108 loans to supplement project financing.

SDRA staff emphasize that the Agency is not driven by the need to have each project raise TIF revenues – they focus on the goal of raising the surrounding community and are willing to accept some non-revenue projects as long as the base of TIF and other available financing is solid. In the case of City Heights Urban Village, the Agency invested significant non-TIF funds up front (including HUD 108 monies, utility

undergrounding funds, and CDBG funds from not only this area but surrounding areas) and supported an unusual bond issue with escalating debt service payments over the objections of the City Auditor. Bond payment schedules have been met, but the result of many "priority" calls on TIF revenues was that it took a long time for the project to generate net new TIF revenues that would be available to support a second bond issue.

- *Are there other tools that San Diego has used to improve the flexibility of their financing systems of available revenue streams?*

Although the Central Community Development Corporation (CCDC) has merged some of its project areas in order to increase flexibility of available revenue streams, SDRA has never merged any of its project areas.

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4. Project Timing and Phasing

- *Is the San Diego experience with project timetables typical of experience in Long Beach, and if not, where are there differences?*

SDRA finds that the largest sources of project delays involve weak project economics. The more blighted the neighborhood, and the weaker the local economy, the longer it will take potential developers to surface (or to approve applicant/developers), and the longer it will take to reach agreement on a DDA and financing package.

- *Does San Diego use other tools to avoid sources of project timing delays that appear to be most common in Long Beach, including:*

  o *Cost estimating*
  As noted above, SDRA believes that its cost estimating is generally accurate, and that inaccurate estimates have not been the cause of significant project delays. In general, projects are completed within approximately 10% of estimates.

  o *False starts with partners that cannot develop the project;*
  SDRA has had numerous instances when efforts to negotiate a DDA have failed, with resulting delays as a new developer is found or a proposed project is redesigned. Both the North Bay and Barrio Logan project areas have experienced numerous false starts. Staff believes that in most cases these failures are due to the underlying weak economics of the area. This results in potential developers expecting that the SDRA can provide much heavier subsidies than may be realistic, and also tends to result in applications from "marginal" developers (stronger developers having decided to work in stronger markets). Failures to reach a successful DDA have involved both for profit and non-profit developers, as well as local developers without adequate experience and (in some cases) politically connected developers.

  In general, SDRA staff believes that the key to the timely approval and completion of most redevelopment projects is a determined developer with experience building the types of facilities being required.

  o *Adequate staffing and coordination*

In order to help ensure that all potential issues have been surfaced early in the process, SDRA now uses a "preliminary review" process in which the entire project submittal is reviewed by a full inter-agency team before the submittal is officially submitted to the Agency. In addition, the Agency now uses a team approach to obtaining entitlements and permits, with a single project manager in Development Services serving as the overall project manager. Because of Agency projects and City Council support, redevelopment projects sometimes get preferential treatment within the workload of other City agencies.

SDRA staff use step-by-step timelines to guide the design and implementation of projects, but note that actual practices usually diverge – sometimes significantly – from the timelines. Each redevelopment project tends to involve unique problems that are seldom predictable in advance. This makes it difficult to compare performance even between projects of the same general type within a single city.

5. Public Involvement and Communications

- *Is the San Diego experience in relationships between (a) the PACs and City Council, and (b) the PACs and redevelopment staff similar to that in Long Beach, and if not, what are the differences?*

San Diego has seven elected PACs, plus one advisory committee with a hybrid elected/appointed structure in the downtown area. The recent Grantville project area began with an advisory committee that was intended to retire when the project area was created, but has remained in place. Experience with staff/PAC relations varies significantly depending on the PAC and its leadership. Although staff enjoys dealing with PACs when they have good leadership, they do not engage closely with the PACs on issues of leadership selection.

The most difficult situations have involved PACs that are dependent on or dominated by a single strong personality, as well as two "rogue" PACs that had a history of difficult and confrontational relationships with the Agency and the City, and that were eventually terminated. One case involved a PAC that consistently disagreed with the priorities of the City Councilmember for the area and that tried to gain control of redevelopment revenues in the project area. In addition, the PAC would not cooperate to try to obtain quorums for important votes, which delayed projects. The Agency felt the PAC was over-reaching its role and terminated funding. The second case involved an area that contained both a PAC and a community development corporation (CDC). The CDC's priorities were in closer alignment with Agency and City priorities, so the funding to the PAC was terminated. Interestingly, because of low TIF revenues and slow progress on projects, the CDC later became inactive and terminated its corporate existence.

Staff has urged City Council to retire the statutorily elected PACs in favor of appointed or hybrid PACs, but City Council has to date been unwilling to force that change on PACs that prefer the current structure. The current Deputy Director of Redevelopment instituted monthly breakfast meetings with the chairs of the PACS, which he believes have been helpful in maintaining good communications between staff and the PACs. SDRA staff emphasizes the importance of working collaboratively with PAC leaders to encourage the emergence of qualified leaders and to keep the PACs focused on their

mission. In addition, City Council staff attends most of the general PAC meetings (but not subcommittee meetings).

Staff reports that it is a continual challenge to reach consensus with the PACs about prioritization of projects, and in some cases the neighborhoods do not clearly articulate what their priorities are. When faced with inability to finance the PAC's top priorities, but opportunities to fund somewhat lower priorities, the Agency sometimes chooses the possible over the optimal. In addition, projects that do not require community plan changes or variances are sometimes chosen over those that do in the interests of time and progress. Similarly, those projects that would displace numerous residents or businesses sometimes get lower priorities because of the extensive time and effort needed to see them through to completion. Some parts of redevelopment are inherently opportunistic, and most of the PACs realize that. For example, where road projects have divided neighborhoods, they also create development opportunities, and the SDRA may take advantage of increased parcel access and visibility for economic development. In general, the prioritization of major redevelopment and economic development projects is driven more by Agency staff and developers, while selection and prioritization of neighborhood infrastructure and public facility projects governed more by the citizens and PACs.

- ***Does San Diego use public involvement mechanisms to supplement the PAC structure, or alternatives to the elected PAC structure, to obtain pubic involvement, and what is its experience with those systems?***

San Diego has a Community Planning Board structure that provides an alternate channel of communication to the citizens, and in many cases a member of the CPB is on the PAC. In general, the Community Planning Boards focus on issues of comprehensive plan implementation, while the PACs focus on where redevelopment funds are being spent. Most public involvement focuses on the PACs and/or CPBs, although the Agency has sponsored broader community charettes for particularly large or complex projects. If the City Councilmember supports a proposed project and the PAC opposes it, they may look to neighborhood associations or to the CPBs for support – and vice versa. There are at least two, sometimes three, established sources of neighborhood input on proposed projects.

- ***Does San Diego evaluate PAC procedures or governance on a periodic basis, and if so, what tools do they use?***

No, the Agency does not have a formal PAC review or evaluation process, although staff tries to remain in close touch with PAC leadership.

- ***Does San Diego conduct pro-active public communications efforts to educate the public in general about the role of redevelopment and local redevelopment successes (in addition to their project-specific public involvement efforts)?***

The SDRA shares a public information officer with another department, but believes it could do a much more effective job at pro-active communications. The Agency is currently re-thinking its public communications strategy, and may hire a firm to undertake additional efforts in the future. In contrast the Central CDC spends a large amount on pro-active public communications, and is well known to the public.

6.   Internal Management and Evaluation

- *Does San Diego have in place a regular program to evaluate whether completed projects achieve their stated objectives and estimated impacts (including blight reduction, economic development, job creation, and tax base strengthening) over time? If so, do these systems enable the city to calculate cost-benefit ratios for completed projects?*

The SDRA does not have a formal review and monitoring system in place to track project progress against benchmarks over time. Because of staff reductions, some project evaluation measures have been sacrificed, though the Agency does try to measure actual performance in job creation for both construction and permanent jobs. The Agency is currently in the process of completing a study of the City Heights project that is expected to shed light on broader agency performance.

- *Does San Diego have in place efficient mechanisms for inter-departmental cooperation on project design (i.e. mechanisms by which the public, redevelopment staff, public works or construction staff, and project designers can negotiate project design with a minimum of wasted time)?*

The Agency is currently trying to standardize its DDA documents to facilitate inter-departmental cooperation. Generally, when project implementation requires cooperation of more than one department, the various departments designate which one of them shall lead the effort. In addition, because of staffing cutbacks, SDRA is generally happy to delegate lead roles in project implementation to other departments, even if it means paying administrative surcharges for the use of other departments' personnel. These arrangements are made on a case-by-case basis, and the Agency does not have written policies governing these types of inter-departmental arrangements.

One measure of the efficiency of the SHRA is the percentage of its expenses that are categorized as administrative in its annual reports to the Secretary of State. Between 1999 and 2003 administrative costs ranged from 5.08% to 9.06% of total Agency expenditures – or an average of 7.87% over the four-year period.

- *Does San Diego have in place efficient systems to ensure quality architectural design of proposed projects, either through a staff architect/designer or through an efficient design review process? If so, how long does it typically take to review architectural designs for proposed projects?*

Staff of the SDRA and the Development Services Department review proposed project designs. There are no in-house architects in the Agency. Generally, the design review process requires the applicant/developer to make one or two visits to both the PACs and the Community Planning Boards (once to present the design and hear comments, and a second time to present the revised design and get a vote from the organization). The need to complete this process with both PACs and CPBs can be a source of project delay.

- *Does San Diego have in place efficient systems to ensure continuous project management – for example, through a centralized project management system with standardized recordkeeping and information-sharing techniques?*

Like LBRA, the SDRA does not have standardized recordkeeping requirements for project managers.

E.   Portland, Oregon, Development Commission (PDC)

1.   Description of Program and Project Areas

General Structure and Governance: The Portland Development Commission (PDC) administers the Department of Development and Civic Promotion, established by a City Charter amendment approved by the Portland voters in 1958. Unlike other city departments administered by the mayor or one of the elected city commissioners, PDC is governed by five independent commissioners appointed by the mayor and subject to approval by the City Council. PDC commissioners serve three-year staggered terms, and serve without compensation. The PDC has authority to appoint, employ, and discharge officers as they choose, and to set compensation. PDC currently has a staff of over 200 persons.

In addition to its statutorily derived urban renewal powers, the PDC is also authorized to promote industrial expansion and location, to acquire property within or outside the city limits, to lease unneeded municipal property to new industries, and other "economic development" powers. Waterfront redevelopment, small business loans, affordable housing, new retail opportunities, transit-oriented development, business recruitment and retention—all this and more make up the PDC's portfolio.

The Department of Development and Civic Promotion has three operating divisions: Urban Renewal (Development), Economic Development, and Housing. The Urban Renewal division encompasses the traditional real estate-based urban renewal projects involving assembling, clearing, preparing for development and reselling land for development by private parties. The Economic Development division administers a variety of grant, loan, and tax abatement programs aimed primarily at the creation of new jobs. The Housing division focuses on rehabilitation of existing homes, and those portions of urban renewal projects that provide new housing.

Although the PDC has always been governed by an independent board of commissioners, it is moving towards a closer strategic alliance between the PDC and City Council. This issue will be covered during a review of the City Charter next year. This move will likely dilute the influence of the PDC commissioners, but will allow the PDC and the Council to make decisions together and to bear joint responsibility for the results. The PDC is now considering what type of change would enable it to maintain autonomy in decision making where it is needed, while promoting greater alignment of the PDC, the City Council, and the Mayor. In Portland, the City Council is a full-time paid position, with an annual salary of $88,420.

Redevelopment Project Areas and Programs. During the past 46 years, PDC has taken forward 20 urban renewal plans. Today, there are 18 urban renewal areas, seven of which are now closed and 11 of which are still open. It is important to note that Oregon law caps at 15 percent the total amount of assessed value and the total land area within a municipality of Portland's size that can be included in urban renewal areas at any one time. A list of redevelopment areas appears in the table below, and a map of the active urban renewal areas (except for the Willamette Industrial area approved in November 2004) is shown below that table.
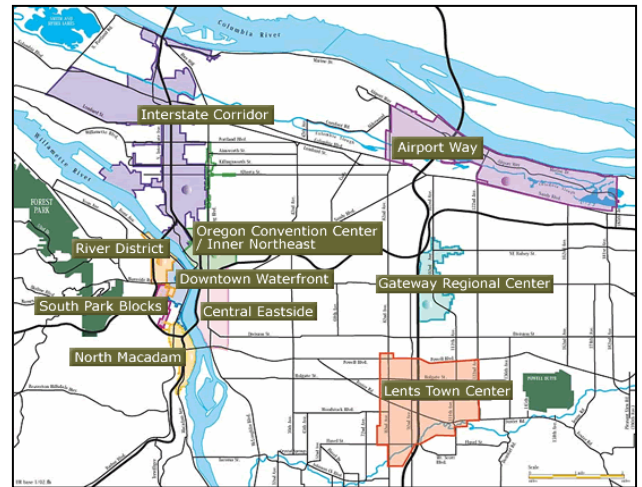
Portland Redevelopment Areas
Airport Way
Central Eastside
Downtown Waterfront
Gateway Regional Center
Interstate Corridor
Lents Town Center
Oregon Convention Center / Inner Northeast
River District
South Macadam
South Park Blocks
Willamette Industrial

The following two project areas are illustrative of a downtown project area and a neighborhood project area within Portland.

In the River District Urban Renewal Area, created in 1998, the primary redevelopment objective is to generate new private investment improve the tax base on vacant and underutilized land by developing a wide range of new housing units, new commercial opportunities and open space—all oriented to the Willamette River.

Portland, Oregon Active Urban Renewal Areas

Public investment in the River District includes:

- Construction of the Central City Streetcar.
- Demolition of elevated street ramps and reconstruction of those streets at grade.
- Acquisition of land and development of 4.5 acres of park space.
- Phased acquisition and development of the waterfront.
- Construction of the Classical Chinese Garden in Old Town/Chinatown.
- Construction of new roads and parking facilities.
- Financing of 2,000-3,000 affordable housing units

Much of this is accomplished in a unique partnership with Hoyt Street Properties, a major landowner in the district. Financing comes from federal, state and local transportation funds; various housing assistance sources; and tax increment financing.

In September 1998, the City Council established the
Lents Town Center Urban Renewal Area in order to
accomplish community goals, including generation of
new family wage jobs, assistance to new and existing
business, improvements to local infrastructure such as
streets and parks, new housing construction and
improvements to existing housing.

Ongoing projects in the Lents area include: a variety of business loans to companies
that may be unable to obtain adequate funds from private lenders; a storefront
improvement program; a variety of loans for homeowners to repair and renovate their
homes; and shared appreciation mortgages (SAM) to help first time home buyers
purchase and renovate homes. The SAM is a second mortgage, up to $30,000, designed
to lower the first mortgage to an amount more affordable to the homeowner and allow
them to do renovations and repairs of the property. The homeowner does not make a
payment on the second mortgage; however, when the property is sold they pay back
the original loan amount plus part of the appreciation on the property.

2. Project Selection and Prioritization

- *To what extent is Portland determining that the lack of public facilities and
  improvements -- such as streetscape, alley paving, street lighting, parks, police
  stations, or libraries – constitute indicators of blight or social distress that should
  be addressed through redevelopment tools and funding?*

A January 2005 report by the City Club of Portland entitled "Portland Development
Commission: Governance, Structure and Process,"[8] notes that, because of voter-passed
measures restricting property taxes in Oregon during the past decade, redevelopment
agencies like the PDC have become the *de facto* capital funds partners of cities and
counties.[9] Through TIF, the PDC is able to fund local capital improvements such as
streets, utilities, and parks, and "free up" municipal property taxes for other essential
services such as safety and human services.[10] This appears to parallel fiscal pressures
and trends in California.

Staff emphasize, however, that lack of public facilities is not a sole criterion for
selecting projects. It may be combined with other indicia of blight, such as
underutilized private property available for development. The most important
criterion is the upside for private investment that will follow the public investment in
the project area.

According to staff, this shift does not indicate a change from traditional redevelopment
focus on "bricks and mortar" projects, but does indicate that bricks and mortar projects

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[8] Some observers have questioned the objectivity of the City Club of Portland report, citing that group's traditional
bias against large, autonomous agencies of government and the fact that a prior City Club (many years ago)
recommended abolishing the PDC altogether. However, the report is very current and reflects two years of work
analyzing an agency that is in some ways similar to LBRA. We have therefore used it as a source of information
about the PDC, and have tried to avoid passages where it appears that treatment of the Agency may not have been
even-handed.

[9] City Club of Portland, "Portland Development Commission: Governance, Structure and Process," (January 2005),
p. 13.

[10] *Ibid*.

are now more likely to be justified by a desire to create good social and environmental outcomes by the neighborhoods, as opposed to job creation or economic development. This may simply reflect strong underlying forces in the U.S. economy in which many types of wages are not rising, buying power is falling, and a much broader segment of the U.S. populace do or will live in neighborhoods that will require redevelopment financing to provide for facilities and infrastructure.

- *To what extent is Portland broadening its definition of "blight", or expanding the number or size of its project areas, in order to expand the areas in which redevelopment funding streams may be used (even if specialized redevelopment tools such eminent domain or relocation are not required)?*

Every district is unique. There have been occasions when a political decision at the City Council level has required the Agency to push the "blight" definition to allow the use of tax increment funds in an area or to support a particular project. The best example was an expansion of the Light Rail System (MAX) into north Portland. The Agency was directed by City Council to provide a specific funding amount to the project and had to draw an urban renewal district boundary to accommodate that directive.

By law, municipalities in Oregon that are the size of Portland may not include more than 15% of land in the municipality within the boundaries of redevelopment areas. This means that if new areas are to be added, sometimes older redevelopment areas need to be closed out. Staff worries that, because of increased reliance on redevelopment financing to fund basic infrastructure, this 15% cap may prevent the Agency from serving areas that are in fact "blighted" in the future, and could lead citizens in those unserved areas to question the relevance of the Agency.

To avoid this result, the Agency will need to broaden its financing approaches beyond TIF areas and must tap new sources of financing that can supplement TIF and can be used in neighborhoods that are not redevelopment areas and neighborhoods that do not currently meet the definition of "blight" but will in the future.

- *To what extent has Portland moved from large, expensive "downtown" projects towards smaller, less expensive "neighborhood" projects, and if so, how has it managed to maintain financial sustainability without large revenue generators?*

The City Club of Portland report noted the progression of PDC projects from "grand-scale" urban clearance projects in the 1950s, to more neighborhood-oriented rehabilitation programs in the 1970s, to increased downtown restoration efforts in the 1970s and 1980s. The 1990s witnessed a further evolution of PDC projects marked by an increased focus on mixed-use development, greater participation by the private sector, and increased community involvement. The last ten years have also seen a gradual increase in resources allocated to "economic development."[11]

Nevertheless, it is much harder to work in the neighborhoods. The level of public/constituent interaction must be significantly increased over that used for more traditional downtown projects. Getting community consensus around a set of projects in an urban renewal plan is very difficult. Generally, the neighborhood projects go forward without total consensus, but with majority support. As to financing

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[11] *Ibid.*, p. 16.

neighborhood projects, the agency recognizes a smaller TIF annual target and therefore a longer period over which actual projects can be completed. It takes longer to build up sufficient TIF to sell a TIF bond on the public market, and therefore, neighborhood constituents are often frustrated at the slow pace of progress. PDC has not used big projects as "financial drivers" in the neighborhoods. It doesn't work. Instead they recognize small success over a longer term.

The Agency is now moving towards a process in which redevelopment projects will be based on a "blended" evaluation of economic viability, social equality, and environmental impact – which will probably reinforce the move away from big centralized projects towards smaller projects. This change reflects not only stronger political pressures from neighborhoods, but some bad experiences with larger projects.

- *Is Portland using techniques to ensure that community preferences are reflected to the greatest degree feasible within the legal constraints of the Oregon law and the financial constraints of the project area?*

PDC has not been able to always ensure community preferences are reflected in project choices. They have no fixed techniques in place. In fact, there is often friction between PDC staff, executives and the City Council over the use of TIF funds, particularly in the neighborhood urban renewal areas. Nevertheless, PDC tries to operate so that community preferences are reflected in proposed projects.

3. Project Financing

- *How successful has Portland been in estimating future project costs? What tools does it use to improve the accuracy of estimating (a) land acquisition costs and (b) project development costs?*

PDC does not do internal project cost estimates. They rely on the City Bureaus (Transportation, Water, Environmental Services) to do public project estimates, and the developers to estimate private development costs. They have also employed outside consultants on particular projects to review the private estimates.

Although PDC does not develop the cost estimates itself, the estimates often prove to be inaccurate. Projects often cost more than estimated. They do not have a fixed system for improving the cost estimates because that is often done by parties not under PDC's control.

Acquisition costs are determined by independent appraisal of the property to be acquired, as required by law. PDC does not often go to court in involuntary acquisition cases, preferring to settle voluntarily with landowners. PDC considers all the potential costs of litigation and the risk of a jury in determining the voluntary sale price, often resulting in acquisition costs up to 50% higher than the fair market appraised value.

- *What tools does Portland use to evaluate the redevelopment agency investment that is actually required to make a project feasible?*

The Development Department of PDC has no written guidelines for public investments in private projects. Each project is evaluated separately, taking into account market conditions, the importance of the project to the urban renewal area goals, and the rate

of return to be realized by the private developers. In general, the goal is to assure the public that the public investment does not result in a "windfall" profit to the developers, defined as a rate of return that is above the prevailing market rate of return.

- *Does Portland use any other tools to simplify or expedite project financing negotiations, and to avoid having to "re-start" negotiations when a selected developer cannot obtain project financing?*

PDC has not had this problem regularly. Generally, the developer's response to an RFP or RFQ for a PDC project requires a confidential statement of the financial pro-forma for the project, and the developer's ability to obtain financing as evidenced by a letter from its lender and any private equity partners. Under this process, unqualified or inexperienced applicant/developers are unlikely to proceed to more detailed development agreements with the PDC.

- *How successful has Portland been in leveraging other public and private foundation grants to supplement local agency project subsidies?*

Leveraging is not consistent across all urban renewal project areas. If an urban renewal district is "TIF-rich", there is usually not significant motivation to seek other public or private funds. The TIF investment is simpler to administer and within PDC.

However, in neighborhood project areas where TIF is scarce there is motivation for pursuing other financing sources. PDC has been very successful in receiving, for example, state and federal tax credits for low-income housing projects. PDC most recently received an allocation of $196.5 million of federal New Markets Tax Credits to be used to create economic prosperity and jobs. Allocating those credits has been very difficult and controversial to date, however.

Because of Oregon state limitations on the amount of area that can be in redevelopment areas, some staff believe that PDC should see its role as raising and attracting sources of funding that can be applied citywide – rather than just in TIF districts.

- *Are there other tools that Portland has used to improve the flexibility of their financing systems of available revenue streams?*

No specific tools were mentioned. The PDC has not merged project areas in order to improve financial flexibility, or for other reasons.

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4. **Project Timing and Phasing**

- *Is the Portland experience with project timetables typical of experience in Long Beach, and if not, where are there differences?*

Project timetables vary significantly from project to project. The most significant source of delay is due to delays in the private developer getting its final financing package in place.

- *Does Portland use other tools to avoid sources of project timing delays that appear to be most common in Long Beach, including:*

  o **Cost estimating**

  Although the accuracy of cost estimating is not particularly good, it has not caused significant project delays.

  o **False starts with partners that cannot develop the project**

  PDC has not had this problem often, but only because (1) PDC has fairly good systems to select qualified developers at the start, and (2) PDC has generally "hung in" with the original developers through delays and has been unwilling to begin a new negotiation with a new developer. One example is a project on a brownfields site along the Willamette River, where negotiations began in 1998.   The construction financing will be closed in mid-May 2005. This is extraordinary, but included two project redesigns to meet market demands, and finalizing of the environmental regulatory requirements with the State Department of Environmental Quality.

  o **Project design review**

  These procedures are currently in review, primarily to address some dissatisfaction with final designs, rather than the timing of design review. PDC is in negotiations with the City Planning Bureau relating to the Planning Bureau role in design review of PDC projects in the early planning stages.   Currently, the PDC Commission will initially approve a concept design. The applicant/developer, working with PDC staff architects and outside design consultants, finalize a development design and then the private partner submits it to the City Design Review Commission for review and approval. After initial concept sign off, all PDC approvals are by staff. The Planning Bureau wants PDC to use its "Urban Design Division" for staff design review expertise, and not PDC architects. The City design review process also has a "pre-application" process for all the parties to meet to discuss project design in the early stages and to identify potential issues with the design.

  o **Adequate staffing and coordination**

  Adequate staffing is a big problem. The staffing level is budget driven, and the budget process is politically driven. Although there are numerous vacancies in the Commission staff, the PDC had frozen hiring pending replacement of the Executive Director (in July). At its last meeting, the Board has allowed some limited recruitment to fill positions.

  Coordination is an area of focus, as discussed for design review above. Very recently, PDC has developed standardized business systems for acquisition and disposition of land, which will be approved by the Commission in June. These policies are meant to educate staff and instruct them in order to properly plan the schedule of acquisition or disposition.

  Still, staff coordination can be an issue, especially between the project staff and administrative departments, such as finance and human resources. This is largely due to inadequate staff training about Commission policies and guidelines, or inadequate delegation from senior staff. This does cause delays, particularly in obtaining the "official" approvals of projects that are fully negotiated and ready for implementation.

5. Public Involvement and Communications

- *Is the Portland experience in relationships between (a) the URACs and City Council, and (b) the URACs and redevelopment staff similar to that in Long Beach, and if not, what are the differences?*

PDC has two "organized" public involvement mechanisms: the Project Advisory Committees (PAC) and the Urban Renewal Advisory Committees (URAC).

The PACs are formed around particular projects in an urban renewal plan. The participants are usually representative of the constituents that are impacted by a particular project. The PAC's are staffed by PDC staff. Their major role is during project planning and development, with some continuing "monitoring" role after the project begins. The PAC's are purely advisory to the PDC Board. Not every project has a PAC. They develop from citizen/constituent interest.

The URACs are established by the urban renewal plan itself. Their interests are to be more global within the entire urban renewal area. They are not elected by the neighborhood, but are invited to participate by PDC. However, any person who wants to participate has been included in most cases. URAC composition varies. In the more urban, commercial-dominated renewal areas, such as the Downtown Waterfront District, URAC membership is predominantly made up of business/property owners and interested developers. In contrast, URACs in the outer eastside urban renewal areas, which are predominantly residential areas, tend to draw more resident and localized interests onto the committees.

Not every urban renewal area has an URAC. They have significant input into the PDC budget process, in setting priorities for spending within an urban renewal district. They are advisory to the PDC Board, but carry significant influence as to budget planning. They continue throughout the life of the plan, but the new policy directive will address the length of service of any particular member.

Generally, the relationship between a PAC or URAC and its assigned staff person is excellent. The PACs and URACs rarely have contact directly with the PDC Board unless a representative is asked to make a presentation to the Board, or offers public comment at a public meeting.

The URAC/PAC relationships with the City Council have not been always smooth. Some URACs have had their recommendations for priority projects "trumped" by political Council decisions to use TIF funds for a project not favored by the URAC – generally for MAX transit projects. Another example was the direction from City Council that PDC participate with TIF funds in the redevelopment of the major public housing project in Portland (New Columbia). Both of these projects diverted significant TIF from the neighborhood/citizen priorities. According to the City Club report, many residents now have generalized concerns that urban renewal will be used to meet citywide goals, such as higher density and mixed use, rather than what they perceive to be neighborhood needs.[12]

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[12] *Ibid.*, p. 34.

Additional problems have occurred when URAC members have engaged in "self-dealing" – i.e. attempting to obtain PDC financial support for projects that the URAC members have a financial interest in. From the neighborhood perspective, these often appear as "self-help" projects sponsored by individuals or organizations that are willing to "put their money where their mouth is". From the PDC perspective, these sometimes appear to be conflicts of interest that may benefit a few individuals more than the surrounding neighborhood or the city as a whole.

Finally, there are some URACs that have become dominated by a few strong individuals that tend to disenfranchise other voices in URAC, as well as the neighborhood.

- *Does Portland use public involvement mechanisms to supplement the PAC structure, or alternatives to the elected PAC structure, to obtain pubic involvement, and what is its experience with those systems?*

In addition to its work with URACs, public participation in Portland's redevelopment activities is achieved through a variety of PDC outreach efforts and more formal organizations. Generally, PDC holds multiple monthly meetings each week that are open to the public and often hosts events at which it actively seeks comments from citizens and community members. Each urban renewal area manager (staff) has four to five meetings a month with area constituents. During the 2003-2004 budget process alone, the PDC held 23 public meetings.[13] The PDC board meets quarterly in off-site locations, often in a project area. These meetings are held in the evening. In addition, the Board now schedules one of their bi-monthly meetings in the morning and the other in the afternoon, to allow broader citizen participation.

PDC also has a web site that includes the potential for interactive comments. This has been a very good communication device, with over 3000 questions and other comments on a recent (controversial) project. The comments are made available to the Board members and are a public record for public review. Finally, PDC has hired a full time Public Outreach Coordinator to generate strategic input to projects, using various methods depending on the nature of the project.

- *Does Portland evaluate PAC procedures or governance on a periodic basis, and if so, what tools do they use?*

The governance of the PACs and URACs has been non-standard, and there has been no evaluation to date. Each URAC has separate rules concerning its governance, as well as separate (often vague) policies on how public involvement occurs. The PDC would like to standardize some of these requirements for URAC operation. One proposal is to consider applying term-limits to PAC membership, which would probably be contentious.

As a preliminary step towards more standards, PDC recently drafted a "Public Participation Policy" to guide URAC procedures and how staff and the PDC Board conduct public involvement. In addition, Public Affairs staff has drafted sixteen individual "public participation plans" for individual projects under PDC's jurisdiction.

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[13] *Ibid.*, p. 30.

- *At what project stages does Portland typically consult the public regarding potential redevelopment projects?*

Redevelopment projects are generally the implementation of other City plans developed through significant City Bureau planning efforts. Portland is legendary for its extensive planning processes, using neighborhood associations, business associations and ad hoc groups for citizen input. However, PDC public involvement efforts begin as soon as either the City Council or the PDC Board identifies urban renewal as a tool that could assist in resolving an issue.

- *Does Portland conduct pro-active public communications efforts to educate the public in general about the role of redevelopment and local redevelopment successes (in addition to their project-specific public involvement efforts)?*

PDC has an extensive program of proactive public communication, and maintains a four-person Public Affairs staff. The staff produces several publications and coordinates myriad events. For example, the staff organizes ground-breakings, project openings, and PDC participation in community events, such as informational booths at trade shows and community events (Cinco de Mayo, AsiaFest, Women in Trades Show).

The Public Affairs staff also produces a quarterly newsletter highlighting PDC projects, people and progress. They draft the statutorily required annual financial report, and produce a public relations oriented annual report that summarizes PDC successes for the year. These publications are mailed to a mailing list of approximately 5,000 persons who have expressed interest in PDC affairs. All publications are available by link on the PDC web site.

PDC uses advertising in the local media for its meetings and events. PDC staff issues regular press releases and conducts press briefings on PDC events and projects. The staff maintains a close relationship with reporters assigned from the local media. Public Affairs' new initiative is a Speakers' Bureau which will link the PDC Board members and key senior staff to interested groups for presentations on selected topics.

6. **Internal Management and Evaluation**

- *Does Portland have in place a regular program to evaluate whether completed projects achieve their stated objectives and estimated impacts (including blight reduction, economic development, job creation, and tax base strengthening) over time? If so, do these systems enable the city to calculate cost-benefit ratios for completed projects?*

There is no system for regular "technical" evaluation. However, PDC publishes quarterly and annual reports on its projects that cite the benefits achieved by a particular project. The Economic Development Department has a more global tracking of job creation through its programs, but the tracking does not always include those jobs created by development department projects.

There have been some recent steps towards a better evaluation system, and hopes to expand upon them. A university program was retained to perform a cost-benefit study of four urban renewal districts. In addition, PDC is moving to institutionalize its program to measure returns on investment (ROI), and will attempt to modify these

return measures to include social equality and environmental impacts as well as economic measures. Finally, PDC is beginning to use econometrics software to translate proposed investments into probably jobs and impacts. Although generally used as a prospective project-evaluation tool, PDC hopes to be able to check back periodically to measure whether projections of jobs and impacts were accurate.

- *Does Portland have in place efficient mechanisms for inter-departmental cooperation on project design (i.e. mechanisms by which the public, redevelopment staff, public works or construction staff, and project designers can negotiate project design with a minimum of wasted time)?*

Design review is one area where extensive discussions on coordination are taking place (see discussion above). Staff believes that the standard approach of reviewing project design based on attractive drawings tends to mislead the public – especially when contracting procedures make it likely that materials or appearance will be changed in the final construction. According to staff, the review process should create realistic – rather than unrealistic – expectations about what can be done with available budgets.

- *Does Portland have in place efficient systems to ensure quality architectural design of proposed projects, either through a staff architect/designer or through an efficient design review process? If so, how long does it typically take to review architectural designs for proposed projects?*

Design review varies significantly depending on the nature of the project, but a "typical" design review can take four to six months to get through all the hurdles.

- *Does Portland have in place efficient systems to ensure continuous project management – for example, through a centralized project management system with standardized recordkeeping and information-sharing techniques?*

PDC is just now switching to Project Management Institute (PMI) approaches to project management. Staff training has just been completed and the system will be implemented soon. Until recently, project staff continuity has been generally good, but there is no fixed system in place to address staff turnover. There has not been a history of a project loosing momentum or failing because of staff turnover. Usually the projects have multiple staff people involved that can cover the missing staff duties, or senior management staff steps in to assist.

F. Similarities and Differences

Our review of comparison city practices in the major focus areas of this Independent Study reflects variations – but also many similarities. In many cities, the differences involve technical aspects of how the Agency performs certain tasks, and how it coordinates its activities with other entities – rather than major differences of approach. On the other hand, it appears that many of the comparison cities are experiencing the same tensions and challenges as the LBRA.

1. Similarities

After reviewing the list of focus area questions that were the topic of subsections A through E above, one comparison city redevelopment director commented: "The issues Long Beach is confronting are reflective of mature cities in Southern California

where neighborhood organizations are taking a more prominent role in the use of redevelopment programs." In other words, most of the focus areas are not unique to Long Beach. Among the broadly similar trends experienced by the comparison cities are the following:

- **Redevelopment for Public Facilities.** There is a general trend towards viewing a lack of public facilities and improvements—such as streetscape, alley paving, street lighting, parks, police stations, or libraries—as indicators of blight or social distress that should be addressed through redevelopment tools and funding. Although most Agencies try to avoid using their redevelopment funds as substitutes for the city's general funds for capital improvement, the declining availability of general funds (and a general trend towards short-term thinking about redevelopment funds) has blurred that line. Long Beach has also experienced this trend.

- **Shifting Focus to Neighborhoods**. There is a general move to divert some, but not all, redevelopment funds away from large, downtown projects towards smaller neighborhood projects. In part, this is due to increasing needs for neighborhood infrastructure and facilities, but it also appears to be the result of more neighborhood-based municipal politics and more sophisticated neighborhood organizations. At the same time, redevelopment professionals are wary that this trend not evolve into "checkbook redevelopment" that focuses more on the spending of TIF funds for popular facilities than on the creation of jobs and the growing of the TIF basis needed to keep the system self-financing. Long Beach has also experienced this trend.

- **The Need for Opportunism.** While comparison city Agencies strive to reflect neighborhood preferences for the selection and prioritization of projects, that is not always possible. Several directors and staff mentioned the fact that parts of redevelopment need to be "opportunistic" – i.e. the Agency must be able to capitalize on the unforeseen availability of key parcels or the needs to reinforce key employers before jobs are lost. Despite the Agency's best efforts to "plan" exactly what will happen in the next five years, no plan can accurately predict these opportunities. This often leads to the drafting of plans with vague language and "wiggle room" to respond to the unforeseen – but that amount of wiggle room regularly leads to frustration by elected officials and citizens when new projects jump ahead of neighborhood preference lists. The Long Beach case studies reaffirmed the importance of being able to take advantage of opportunities that are consistent with project area goals when they arise.

- **Negotiated – Not Calculated – Subsidies.** Most comparison cities agreed that calculating what degree of subsidy is "required" to make a project financially viable is a very imperfect science. Some staff went so far as to say that the reason redevelopment agencies exist is because successful projects are always the result of case-specific negotiations rather than market-based calculations. In reality, redevelopment projects are often not situations where the Agency can evaluate and take the "low bid" for a specific product – they often involve attempts to persuade an applicant to undertake a project that the developer would not have sought on its own. None of the comparison cities conduct a rigorous post-evaluation to see whether the subsidy offered was actually required – and some staff stated that it would be a fruitless effort, since distance clouds the view of the situation that existed when the deal was made. While there is certainly much truth in these statements, they are somewhat dangerous, since the "uniqueness" of each project

can be used as an excuse not to create a serious evaluation system that might improve performance (notwithstanding the "unique" factors). The Independent Study case studies also showed a pattern of negotiated subsidies that were not subject to later evaluation.

- **Pressure for Faster Projects.**   The public in each comparison city feels that redevelopment projects take too long. Redevelopment staff generally feels that the criticisms of their Agency are partly unfounded, because each redevelopment project seems to face unique challenges and obstacles. Our attempts to compare timelines for various types of projects were unsuccessful, as most directors refused to estimate what an "average" or "typical" time for a specific project would be. Instead, they emphasized that there are no "typical" projects – and that if the sites were easy to redevelop the market would have done so already. Again, while there is no doubt considerable truth in these statements, they are somewhat dangerous, since some project delays are clearly caused by foreseeable and avoidable factors or by failures to coordinate Agency and city efforts. Again the "uniqueness" of each project could be used as a screen to avoid analysis that might uncover systemic improvements that would work in a wide variety of circumstances. The Long Beach case studies found five causes of time delays, but other comparison cities were unable to confirm whether the same factors affected their projects.

- **Design Review is Performed In-House**. Most of the comparison cities have in-house capacity to perform urban design review on redevelopment projects. Although outside architects and designers may be used on occasion, that is clearly the exception rather than the norm. Long Beach is now moving to obtain in-house urban design review expertise.

- **No Systematic Evaluation of Projects.** None of the comparison cities have created a systematic evaluation program to test whether approved and completed projects achieve the goals or meet the estimates of jobs, taxes, or social benefits that were used to justify their adoption. Given the general rise in performance based management approaches throughout government, this is somewhat surprising. The main reason seems to be workload – the fact that staff shortages are common, and that evaluation of the past always becomes a lower priority than planning for the future or implementing for the present. A secondary factor is that social benefits are notoriously hard to measure accurately. A third factor seems to be that both Agency and City decision-makers tend to focus on fiscal measures – as long as the TIF base is increasing and sales taxes are increasing, the project has succeeded and further analysis is less important. Again, this is somewhat surprising, since blight reduction, job creation, and economic development have long been near the core of the rationale behind redevelopment. On the positive side, most Agencies realize this weakness, and three of them have undertaken small-scale, sometimes project-specific evaluations in the past few years. Like the comparison cities, Long Beach does not have a systematic approach to project evaluation in place.

2. Differences

In spite of the broad themes outlined above, there are still several areas in which the experiences and practices of the comparison cities vary.

- **Costs Estimating.** Although estimating acquisition and development costs for future projects is always subject to error, some comparison cities appear to have a better track record than others. Three of the comparison cities (Pasadena, Sacramento, and San Diego) believe their cost estimates are relatively accurate unless project delays lead to inflation effects. A fourth (Oakland) mentions inflation, unforeseen environmental costs, and incomplete estimates as sources of inaccuracy. The fifth (Portland) indicated that estimates are often inaccurate, but did not identify specific sources of inaccuracy. As noted in the case studies, cost estimating in has not been particularly accurate in Long Beach due to several causes, including incomplete estimates (with "orphaned costs" not being considered).

- **False Starts with Developers.** Two of the comparison cities (Sacramento and San Diego) reported that they had several instances in which they had entered into an Exclusive Right to Negotiate (ENA) and had then failed to reach a DDA with the chosen applicant/developer. The other three cities (Oakland, Pasadena, and Portland) reported that there had been relatively few of those cases. In Long Beach, both the Los Altos project and The Promenade project have experienced those types of "false starts".

- **PACs and RACs**. There is also very wide variation in how the comparison cities use project area Committees (PACs) or Redevelopment Advisory Committees (RACs) to obtain area-specific citizen input on redevelopment issues and proposed projects. Two of the comparison cities (Sacramento and Portland) use predominantly appointed RACs to provide input, and Sacramento has a policy of transforming old-style elected PACs into organizations that comply with city policies (including term limits). Two other comparison cities (Pasadena and San Diego) have maintained a system based on elected PACs, although senior staff in at least one agency recommended that elected PACs be phased out of their advisory roles. The fifth comparison city (Oakland) uses hybrid PACs, in which some members are elected and others are appointed.

- **Decision-Making Authorities**. Four of the comparison cities (Oakland, Pasadena, Sacramento, and San Diego) had governance systems where the City Council acts as the governing body of the Agency, while one (Portland) did not. Clearly, the vast majority of California cities use a City Council governance structure. In the three largest comparison cities with a City Council governance structure, the Council is a full-time body with annual salaries and expense allowances ranging from $62,000 to $88,000. Only the smallest comparison city (Pasadena) has a part-time City Council that also serves as an RDA governing body. However within those structures there is significant variation in terms of (a) whether there is a subsidiary body with redevelopment duties, and if so (b) whether the subsidiary body has decision-making authority, and if so (c) what types of decisions are made by the subsidiary body. The variation in decision-making systems is illustrated in the table below titled: *Comparison of Decision-Making Authorities*.

- **Public Information Program.** Two of the comparison cities (Oakland and Pasadena) indicated that they did not have adequate budgets to maintain a pro-active public information program unrelated to specific projects. Two others (Sacramento and San Diego) either have or share a public relations officer with another department, and indicated that the public information officers' duties

extended to general communications with the public. The fifth city (Portland) maintains a very extensive public information program with a staff of four.

- **Administrative Expenses**. There are significant variations in the percentage of total expenditures that the comparison cities devote to "administrative" costs, as reported to the Secretary of State. While it is difficult to confirm that different Agencies categorize "administrative" expenses the same way, the fact that these figures were taken from standardized mandatory filings with a state oversight agency suggests that generally similar systems were used to report expenses. Among the four California comparison cities, administrative expenditure ratios range from 7.87% in San Diego, to 16.06% in Oakland. During the same period, LBRA reported administrative expenses averaging 16.04% of all expenditures.

COMPARISON OF DECISION-MAKING AUTHORITIES								
	Review and Decision Authority							
City:	Create / Amend Project Area	Strategic/ Redevelop-ment Plan / Goals for Project Area	Appoint RDA or Advisory Board Members	Appoint PAC/ RAC/ URAC Members	Approve New Project in Existing Area	Use of Eminent Domain for Project	Con-tracts for Services	Hiring/ Dismissal of Director
Long Beach	LBRA to CC	CC or LBRA[1]	CC	N/A	CC or LBRA[2]	LBRA	LBRA	CM
Oakland	CC	CC	NA	CC[2]	CC	CC	CC[4]	CA
Pasadena	CC	CC	CC[5]	N/A	CC	CC	CM or CC[6]	CM
Sacramento	AC to CC	AC to CC	CC	CC	AC to CC	AC to CC	AC or CC[7]	CC
San Diego	CC	CC	CC[8]	N/A	CC	CC	SDRA or CC[9]	CM
Portland, Oregon	CC or PDC[10]	CC	CC	PDC	CC or PDC[11]	CC or PDC[12]	PDC	PDC
Abbreviations: CC = City Council; CM = City Manager; CA = City Administrator; AC = Advisory Commission/Committee; NA = Not Applicable								
1. Redevelopment plans are approved by CC as part of project area creation; Strategic plans approved by LBRA. 2. LBRA has authority to approve projects that do not involve the purchase of land with TIF revenues. 3. CC appoints members of community boards, and the community boards select 25% of the PAC members. 4. Contracts under $50,000 are administratively approved. 5. Appointments are district-based – each Councilmember appoints one member. 6. City Manager can approve contracts under $75,000. 7. Advisory Redevelopment Commission may approve small contracts (under $25,000) 8. SDRA does not have an advisory board, but City Council appoints advisory boards for both CCDC and SEDC. 9. SDRA may approve contracts up to $250,000. 10. Although City Council must approve all project areas, PDC has authority to approve minor amendments. 11. PDC has authority to approve minor projects within project area goals and debt limits. 12. Authority to authorize eminent domain is different in different project areas.								

III.   Identifying Best Practices

This section of the report identifies "best practices" for redevelopment agencies gleaned from independent industry sources, as well as from our observations about the LBRA and redevelopment agencies in the comparison cities. The independent sources are well known to redevelopment professionals in California, including the California State Controller's *Guidelines for Compliance Audits of California Redevelopment Agencies* and those *Recommended Practices for California Redevelopment Agencies* published by the California Debt Advisory Committee almost ten years ago. Since those sources of guidance are publicly available, we do not repeat them in their entirety in this document. In addition, the LBRA has staff devoted to the preparation of annual compliance documentation, and the Independent Study effort was not designed to audit their work.

Instead, this document focuses on Best Practices in those areas where the Independent Study effort has identified significant questions about the Agency's performance. While a few members of the public have raised questions about whether the LBRA has failed to comply with applicable California law and accounting standards, those questions have been infrequent. To the contrary, most questions raised by the PACs, the public, and the City Council have centered on whether the Agency is <u>too</u> focused on compliance with legal requirements instead of focusing on improving its response to community needs and striving for project excellence. In order to remain focused on key areas for improvement, we will review only those best practices related to those service areas.

A. General

1. Guidelines for Compliance Audits

LBRA must comply with those *Guidelines for Compliance Audits of California Redevelopment Agencies* published by the California State Controller dated March 2004 (Guidelines). The Guidelines establish minimum levels of performance in the areas of:

- Financial Disclosure and Reporting;
- Affordable Housing;
- Five-Year Implementation Plans;
- Redevelopment Plans;
- Public Notification; and
- Conflicts of Interest.

Although confirming compliance with each of these guidelines would require a full performance audit, which is beyond the scope of this Independent Study, our review of Agency files resulted in the following observations. It appears that the LBRA has kept excellent files documenting the process of preparing the Redevelopment Plans and Five-Year Implementation Plans for the various project areas. Similarly, it appears that the Agency has maintained fairly complete files covering public notifications required by law, as well as financial disclosures and reporting required by law (although information and records on project performance could be improved in several ways outlined below). Our review of project files did not include detailed reviews in the

areas of affordable housing, since only one element of one case study incorporated affordable housing, and as a result we were not able to form an opinion of the completeness of files in this area. Finally, no allegations or concerns about conflicts of interest have been raised during the Independent Study to date, so our review of files does not cover that topic.

2. Recent Performance Audit of Los Angeles Redevelopment Agency

In the fall of 2004, the City Auditor of Los Angeles completed a three-part performance audit of the Los Angeles Community Redevelopment Agency (CRA). The three portions of the CRA audit covered (a) loan underwriting practices, (b) development loans and developer subsidies, and (c) disposition of real estate. That highly publicized audit has resulted in broad-based re-evaluation of management practices in the CRA.

As mentioned above, this Independent Study effort is not an audit for compliance, but rather an inquiry into the LBRA's performance and effectiveness. We have, however, incorporated questions related to the LBRA's effectiveness and efficiency in three key areas: (a) administrative expenses, (b) use of consulting resources, and (c) time required for project design and implementation. Those findings were reported in the case study for Los Altos Shopping Center and the Review and Evaluation Report for Task 2.2. Nevertheless, it would be wise for the LBRA to review the three Los Angeles CRA audit reports to confirm that the Agency does not suffer from the same weaknesses. Based on our case study reviews, there are two topics covered in the CRA performance audit that we suggest might be areas for review and possible improvement by LBRA, as outlined in the Subsection III: *Comparing Performance* , below.

3. Recommended Practices for California Redevelopment Agencies

Finally, the LBRA should aspire to meet those *Recommended Practices for California Redevelopment Agencies*, published by California Debt Advisory Committee in April 1995. Although this guidance document is somewhat dated, it is clearly based on redevelopment practices following California's adoption of AB 1290, and many of its recommendations remain valid today. A full list of recommendations from this document is attached as an appendix to this report, but we have referenced some of the more relevant recommendations in the sections addressing specific practices below.

4. Evolving Accountability Standards

Our primary basis for establishing best practices appropriate for LBRA are the foregoing California reference materials; our analysis of LBRA and of the five comparison cities; and our more general knowledge of industry practices nationally. Nonetheless, any discussion of best practices for organizational performance today must also reflect emerging private- and public-sector standards beyond the specific redevelopment context, particularly in the realm of financial accountability.

In the private sector, a series of high-profile corporate scandals led to passage of the Sarbanes-Oxley ("SOX") legislation, which seeks to protect investors by improving the accuracy and reliability of corporate disclosures. Although SOX pertains only to publicly-traded companies, comparable requirements are being adopted by many non-

profit organizations, as boards of directors demand greater accountability.[14]   At the same time, shareholders have become increasingly powerful and demand greater transparency and financial disclosure from companies.

Similarly, the combination of strained government budgets and greater voter skepticism about the effectiveness of government programs has imposed a greater level of scrutiny on the public sector. Legislation protecting whistleblowers has increased transparency. Federal and international donor programs traditionally have required a much higher degree of reporting and program justification, but now these standards are increasingly being extended to other levels of government.

We recognize that these standards have not been widely adopted by redevelopment agencies, either in California or elsewhere. Thus, we do not present these standards as accepted "best practices" in the following discussion; nor do we rate the LBRA against this standard. Nevertheless, the LBRA should recognize that accountability standards are increasing, and a higher standard might soon be required, either formally by state regulation, or less formally when demanded by the public. It would be wise for the Agency to conform to at least the *spirit,* if not the actual letter, of these emerging standards.

B. Project Selection and Prioritization

The *Guidelines for Compliance Audits of California Redevelopment Agencies* do not contain baseline standards for project selection or prioritization (except to require proper public notification) within the parameters of adopted implementation and redevelopment plans.

Recommended Practices for California Redevelopment Agencies recommends that redevelopment agencies "[e]stablish criteria for prioritizing project area expenditures," under the heading of Debt and Financial Management, but we believe this practice also applies equally to project selection and prioritization. Based on our Independent Study work to date, including reference to the sources above, we believe the following best practices are appropriate for the LBRA:

1.   **Strengthen Shared Vision Between LBRA and City Council.** Because Long Beach, like all cities, has both long-term and short-term redevelopment needs, as well as neighborhood-specific needs and citywide strategic opportunities, it is important that the Agency and the City Council share a common, long-term vision as to how those demands should be balanced in order to best meet neighborhood and city-wide needs while sustaining the long-term economic viability of the redevelopment program.

2.   **Select Projects of Strategic Importance to Blight Removal and Economic Development.**   All activities of redevelopment agencies must comply with the provisions of the California Redevelopment Act and other applicable law. In addition, projects selected by Agencies should generally be of strategic importance to the city or the project area where they are located – so that their community impacts are multiplied by subsequent private sector actions.

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[14] As one example, the University of California Board of Regents is adopting new governance rules for the University system. Among the provisions: An ethical code of conduct, more frequent financial reporting, and "budget to actuals" comparisons for all projects.

3.   Select Projects That Generate Social as Well as Financial Benefits. California definitions of blight include social distress, and many redevelopment areas need improvements to social conditions as much as they need direct investment. While project area finances need to be self-sustaining, not all projects need to be revenue generators and some can be chosen to leverage TIF streams into improvements in social indicators.

4.   Explicit Criteria for Selecting and Funding Projects. The LBRA should establish criteria for prioritizing project area projects and expenditures – the debt management policy should prioritize project area expenditures or provide guidelines for conducting this prioritization on a regular basis. These priority lists should be updated regularly – perhaps annually, or as changing market conditions or circumstances dictate.

5.   Clearer Statement of the Role and Priority of Infrastructure and Public Facility Projects in Redeveloping Strategy. While all LBRA five-Year Strategic Plans identify infrastructure and public facilities as blight-reducing projects eligible for LBRA funding, the role and priority of such projects remains unclear. LBRA and the City Council should jointly clarify whether infrastructure and public facilities will be funded as stand-alone projects, or only as elements of a broader redevelopment strategy, and should clearly identify the priority of infrastructure and public facility projects in relations to direct job or revenue-generating activities.

6.   Balance of Strategic and Neighborhood-Serving Projects. Project selection should strike a balance between (a) large, highly-visible, revenue-generating projects – frequently located in the downtown area – that represent strategic investments for the city as a whole through broad-based economic development, and (b) smaller-scale neighborhood-oriented projects to promote small-scale economic development, housing improvements, capital facilities or infrastructure. While all of the comparison cities reported that their redevelopment agencies were under pressure to construct neighborhood infrastructure and public facilities, most warned against allowing the redevelopment agency to become merely the financing arm for municipal public works or a source of "checkbook" redevelopment. Indeed, it would be financially dangerous to allow short-term neighborhood needs to drive decisions to borrow debt that can only be repaid over 20 or 30 years.

7.   Early PAC Consultation Before Commitment. Decisions regarding project selection and prioritization should be made with input from the PACs and other members of the public before commitments to specific projects are made. When an agency intends to proceed with redevelopment projects or unforeseen opportunities that are not reflected in adopted project priority lists, the decision and the reasons behind it should be communicated to the PACs, the public, the LBRA Board, and the City Council before commitments to alternative projects are made.

8.   Strategic Guidance of Large-Scale Projects. Selection of larger-scale revenue generating projects should be guided by those with the expertise to evaluate market conditions and identify market opportunities, and the time and commitment to remain focused on long-term economic growth for the city. To the extent possible, these decisions should be buffered against short-term decision-making and neighborhood-specific political pressures.

9.   Allow For Opportunistic Investments.   PACs and the public should understand that some aspects of redevelopment are inherently "opportunistic", and that some projects that could significantly promote implementation of the redevelopment or implementation plans may arise from opportunities that are unforeseen at the time project priorities are set. LBRA and the PACs and public should be willing to allow for deviations from adopted priorities in order to take advantage of those opportunities.

C. Project Financing

The *Guidelines for Compliance Audits of California Redevelopment Agencies* contain significant guidance regarding financial disclosure and reporting, but do not contain specific baseline standards for how redevelopment projects are to be financed (other than to require compliance with applicable law).

Recommended Practices for California Redevelopment Agencies recommends that redevelopment agencies "maximize their resources by structuring financial assistance with repayment features, terms, and conditions stipulating other actions, or by combining RDA funds with other private and public sources of funds." The report also recognizes the importance of ensuring the "safety and liquidity of investments are met" above all other objectives.

In addition, based on our Independent Study work to date, including reference to the sources above, we believe the following best practices are appropriate for the LBRA.

1.   Project Investments Must Protect Agency Solvency. LBRA should structure financing of redevelopment activities to ensure the long-term health and solvency of the Agency and to maintain the confidence of financial institutions by avoiding project defaults.

2.   Spread the Wealth. LBRA should work to ensure that all redevelopment areas benefit from available TIF streams and redevelopment investments, to the extent permitted by California law. The Agency should continue to search for ways to make available revenue streams generate benefits over disadvantaged areas of the city.

3.   Produce Significant Economic Benefits. LBRA should make decisions that will grow the revenues to both the Agency and the City over time. Development agreements that guarantee at least a minimum tax increment revenue by negotiating the assessed value in advance are especially appropriate. Guaranteed TIF streams are also beneficial.

4.   Maximize Financial Leverage. LBRA should maximize the utility of their scarce Agency resources by structuring financial assistance with repayment provisions and conditions stipulating actions from funded entities (whether private developers or public agencies). Except under the most unusual circumstances, the Agency must leverage its funds with other private and public sources of funds.

5.   Complete and Accurate Cost Estimates. Estimates of costs of proposed redevelopment projects should be as complete as possible, based on experience with prior redevelopment projects, and should be accurately communicated to all decision-makers at the time of project approval hearings. If the LBRA's project manager lacks

an engineering background, a staff engineer should be consulted to test the estimates for reasonableness and completeness.

6.   Documentation of Project Subsidy Calculations and Assumptions. Calculations of required project subsidies, and the assumptions underlying the calculations should be fully documented, and should incorporate private sector real estate investment analysis to the degree possible. When redevelopment projects constructed by the private sector involve subsidies, the amount of that subsidy should be well documented, including both initial investments and any continuing LBRA costs.

7.   Disclosure and Sharing of Down-Side Risks. The financial risks of project underperformance or failure should be fully disclosed to all decision-makers, and should be equitably shared between the City and the Agency based on prior agreements as to which entity is better able to bear specific types of risks. Guaranteed minimum returns to the developer should be avoided.

D. Project Timing and Phasing

Neither the *Guidelines for Compliance Audits of California Redevelopment Agencies* nor the *Recommended Practices for California Redevelopment Agencies* contain baseline standards or guidance regarding the timing and phasing of projects. However, based on Independent Study work to date, we believe the following best practices are appropriate.

1.   Design, Approve, and Complete Projects As Promptly as Possible. Each proposed redevelopment project should be designed and implemented as promptly as is reasonable given the size and complexity of the project and the need for full involvement in project design discussions by the PAC, the public, and decision-makers.

2.   Select Developers With a Proven Track Record of Completing the Type of Project Needed. Project development is a specialized skill that improves with experience. Although it may be tempting to select a local developer regardless of specific relevant experience, there are many cases in which this has led to delays in project completion or a need to re-start the project with a new developer. On the other hand, if a primary goal of the LBRA or the project area is to use local developers or contractors, even if they do not have directly relevant experience, then longer project timetables should be expected.

3.   Strive to Improve Inter-Departmental Coordination and Communication. Many redevelopment projects will require the coordinated efforts of multiple departments or agencies. The LBRA should strive for continuous improvement in inter-departmental working relationships, and should create new procedures to address any delays experienced in prior projects.

4.   Manage Pro-Actively to Avoid Delays within the Agency. Following completion of each project, the LBRA should compare the time required for project design, approval, and implementation to the proposed timeframes, should communicate the comparison to the PAC, the public, and decision-makers, and should clearly identify the causes of any significant delays. Where the Agency identifies

recurring causes of project delays, it should develop an internal management strategy to anticipate and avoid those types of delays in the future, if possible.

5.   Avoid Delays That Discourage Private Investment. Once LBRA determines that an area is blighted or subject to social distress, and that a specific project is needed to address those issues, it should proceed with project design, approval, and implementation as quickly as possible, and should be aware that when announcements of future projects are not followed by the projects they can lead to private disinvestment in the blighted area until the Agency acts.

6.   Educate Public About Reasonable Expectations. PACs and the public should be educated about the realities of redevelopment project design and financing, realistic timeframes for completion, and the fact that delays often occur due to causes that could not have been foreseen. This is particularly true if the Agency is working with an applicant/developer without significant experience in the specific type of project needed. In the alternative, if PACs or the public want redevelopment projects to be completed in the shortest time possible, they should allow the Agency to select the most qualified applicant/developer without regard to whether it is a local business.

E.   Public Involvement and Communications

The *Guidelines for Compliance Audits of California Redevelopment Agencies* contain an entire section (Section E) on compliance with public notification procedures. While all Agencies must comply with these requirements, they reflect only the minimum needed for compliance with the law. In many cases, more notification will be appropriate.

Recommended Practices for California Redevelopment Agencies recommends that Agencies "effectively communicate the results of their actions to the public and key constituencies to encourage project and program support as well as to change community perceptions."

We fully agree with this recommendation and present it as our first"best practice" in this section. In addition, based on Independent Study work to date, we believe several other best practices are appropriate for the LBRA.

1.   Communicate Results to the Public. LBRA should effectively communicate the results of their actions to the public and key constituencies to encourage project and program support as well as to change community perceptions.

2.   Create a Public Information Program.   Because public perception of redevelopment activities can be strongly influenced by positive or adverse publicity surrounding a recent project, LBRA should communicate the cumulative results of past redevelopment activities to the public on an on-going basis. If possible, this should be done through communications programs separate from those used to carry out required public notifications for specific upcoming projects.

3.   Build Strong Relationships Between the Public and Project Managers. Good communications between staff and the public are essential if the public (including the PACs) are to understand the potential benefits of redevelopment projects, as well as the legal and financial constraints under which the LBRA operates. The LBRA should

make a strong commitment to keep staff engaged with PACs and other public community groups.

4.   Maintain Strong Relationships Between PACs and the Agency Board. It is equally important that PACs – and other community organizations – feel that the LBRA board is listening to their preferences and, when projects do not go smoothly, trying to address their concerns. The LBRA should make a commitment to keep the LBRA active, visible, and accessible to community organizations and the public. The Agency should also work to strengthen PACs and ensure that they are representative.

5.   Seek Broad Public Involvement Beyond PACs. Because some citizens do not have the time to serve on PACs (and on occasion some PACs can become obstructionist), Agencies should ensure that public notification and involvement efforts do not rely solely on PACs, but also include other neighborhood organizations and the residents surrounding project areas. LBRA staff should work closely with City Council members to ensure that these groups are kept informed about upcoming projects, and about the status of approved projects, on an on-going basis.

6.   Build Community Support for Projects. The LBRA should not only solicit community opinion regarding proposed project selection and prioritization, but should work to build support for those projects that will have maximum impacts on the community. Once projects are selected, staff should work with PACs and the public to build and maintain support for the project during implementation.

7.   Conduct Continuing Education for PACs and the Public. LBRA should invest in the on-going education of PAC members and the public regarding the legal constraints on redevelopment in general and the fiscal constraints on redevelopment within the project area, so that the PAC may make informed decisions and recommendations.

F.   Internal Management and Evaluation

The *Guidelines for Compliance Audits of California Redevelopment Agencies* contain significant guidance on many aspects of LBRA's internal management and evaluation, all of which are considered baseline requirements subject to audit review, and all of which should be followed.

In addition, the *Recommended Practices for California Redevelopment Agencies* contains the following two recommendations that we believe are particularly relevant for LBRA.

1.   Adapt Private Development Management Techniques. Redevelopment agencies should adapt successful private real estate development management techniques to fit public development circumstances. These include explicit statements of organizational goals, recruitment and training of skilled project managers, and risk management through on-going market analysis and product type diversification.

2.   Evaluate Project and Program Performance. RDAs should incorporate performance evaluation as an on-going basis into their activities and programs. This evaluation should be based on a series of pre-established criteria which reflect the activities being conducted by the RDA.

In addition, based on Independent Study work to date, we believe the following best practices are appropriate.

3.   Maintain Clear Statements of Roles and Responsibility. The LBRA board and the City Council should maintain clear statements of their respective roles and responsibilities, as well as those of redevelopment staff, The City Manager, and PACs or other advisory bodies. These descriptions of roles, responsibilities, and reporting requirements should be disseminated to staff, PACS, and all stakeholders in the redevelopment process.

4.   Coordinate Inter-Departmental Staffing Closely. In order to use resources wisely, the LBRA should coordinate its efforts with other city departments and public agencies involved in project implementation, and should jointly establish a single project manager for the project. Close coordination is particularly important in cost estimating, project design, and construction management.

5.   Involve all Design, Construction, and Maintenance Agencies Early. The LBRA should ensure that all city departments and agencies responsible for bidding, design, construction management, or maintenance of a facility developed with redevelopment funds are involved in early review of project designs and specifications – preferably immediately following conceptual review and comment by the PACs – in order to avoid later delays caused by conflicting requirements of different departments.

6.   Integrate Urban Design Review Based on Objective Standards with Clear Timetables. Agencies should ensure that proposed redevelopment projects – particularly commercial, industrial, residential projects and public facilities – are subject to urban design review, in order to ensure that they improve the quality and image of the neighborhoods where they are located. Where architectural review is required, it should be based on objective, written design standards or examples, and should be completed within a defined time period.

7.   Use Community-Based Project Managers. Projects are managed best when project managers are in close communication with area residents, neighborhood leaders, neighborhood businesses, and other local stakeholders. LBRA should strive to use community-based project managers to ensure that LBRA management and prioritization decisions are based on accurate information about neighborhood conditions and preferences.

8.   Contain Administrative Expenses. Resource constraints require that all public and quasi-public agencies be increasingly vigilant about controlling costs. While the LBRA's overall 16.04% administrative expense ratio between 1999 and 2003 is not unreasonable *per se*, comparison with other cities suggest that improvements are possible.

IV.   Comparing Performance

This section of the report compares the performance of LBRA to some of the best practices identified in the prior section. To re-iterate, those best practices cover only those areas of focus or concern that were identified through Task 1: *Project Initiation*

and Task 2: *Case Studies* – they do not cover areas of LBRA performance that have not been highlighted for Independent Study focus (e.g. debt management).
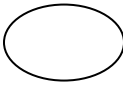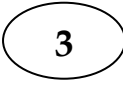
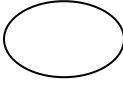Perhaps most importantly, the comparisons below do not review the success of LBRA projects in general. As the case studies demonstrated the projects reviewed have generally been financial successes, and have produced positive impacts on surrounding areas. Most of the projects are also popular with the public – especially the citizens that live closest to them. Public concerns have instead centered on (a) whether the LBRA should have selected other projects or designs than the ones they chose, (b) whether the project adequately reflected public input, (c) how the project was financed, (d) whether the applicant/developer subsidy was appropriate, (e) whether the off-site impacts met expectations, and (f) whether the projects could have been completed faster. In short, most of the questions about LBRA's performance have concerned "how" the Agency does business, how it measures success, and whether that can be improved, and not on the project's success *per se*.

The scorecards below cover the same five major topics identified in our Task 2.2 Review and Evaluation report, and used to organize our research on comparison cities and best practices in Sections II and III of this report. In each case, the performance of the LBRA is compared to the recommended best practice (not to performance of the comparison cities). However, because performance in some of these areas has been changing, and because many of the comparison cities also fall short of best practices, we also include comments to clarify the interpretation of the score.

When reading the scorecards in this section, is important to realize that these represent evaluations of LBRA performance **in those areas where it is may be weakest**. They do not represent an evaluation of all aspects of LBRA performance. Throughout the Independent Study, we have made a conscious decision to focus on areas of concern that have arisen from the community or from our case study or comparison city work. We consciously chose not to focus on – or to spend time and money documenting – the many areas in which the LBRA performs well and where the public, the PACs, and City Council have not raised questions about its performance.[15] Therefore, it is not accurate to read the material that follows as a scorecard covering all LBRA performance.

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[15] In this respect, this Independent Study is unlike the study that was performed for the 50th Anniversary of the Los Angeles Community Redevelopment Agency. That study devoted considerably more effort than this Independent Study to document the successes of the Agency and devoted less attention to addressing areas for improvement.

A. Project Selection and Prioritization

PROJECT SELECTION AND PRIORITIZATION		
Best Practice	**Performance**	**Comments**
Strengthen Shared Vision Between LBRA and City Council		Recent disagreements in this area suggest that more work is needed. This should be a joint City Council-LBRA responsibility.
Select Projects of Strategic Importance to Blight Removal and Economic Development	5	Several case studies show significant increases in private building activity following project completion. Downtown projects have clearly helped economic health of entire city.
Select Projects That Generate Social as Well as Financial Benefits	5	Several case studies documented drops in serious crime following project completion. Parks projects addressed significant shortages of an important social amenity.
Explicit Criteria Selecting and Funding Projects	3	Some PACs seem confused by how project prioritization occurs.
Explicit Statement of Blight and Distress Criteria	3	Differences of opinion as to whether lack of specific facilities (parks, libraries, police stations) constitute blight or distress suggests that clarification is needed.
Balance of Strategic and Neighborhood-Serving Projects		Although only 25% of recent year expenditures have been in the downtown area, some neighborhood dissatisfaction remains. All comparison cities struggle with this issue.
Early PAC Consultation Before Commitment		This seems to have occurred, with the exception of Los Altos, where key decisions had been made prior to citizen involvement.
Strategic Guidance of Large-Scale Projects	5	The financial success and significant positive community impacts of many projects suggests that LBRA knows this business well.
Allow For Opportunistic Investments		LBRA often responds promptly to market opportunities – particularly in the downtown area. (e.g., CityPlace) -- but is sometimes slow to recognize changed circumstances (e.g., The Promenade).

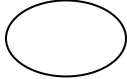Excellent / Highly Effective   **5**
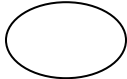
Good

Moderate/Limited Impact/NA   **3**

Fair

Poor / Detrimental   **1**

B. Project Financing

PROJECT FINANCING		
Best Practice	**Performance**	**Comments**
Project Investments Must Protect Agency Solvency	**5**	Although we review only limited number of case studies, available documents indicates Agency has excellent record in selecting and funding projects that "pay for themselves" and avoid defaults.
Spread the Wealth		While some areas of the City remain underserved by LBRA project activity, Agency has made concerted effort in recent years to increase allocation of funds to neighborhoods outside downtown.
Produce Significant Economic Benefits	**5**	All evidence is that LBRA has made good, sound financial investments to grow the total redevelopment revenue stream. Upfront agreements for minimum TIF payments from developers are noteworthy (e.g., CityPlace).
Maximize Financial Leverage		Some comparison cities appear to have leveraged and matched funds more aggressively.
Complete and Accurate Cost Estimates		Frequent underestimating of costs and exclusion of some cost categories. Some comparison cities appear to have a better track record in this area.
Documentation of Project Subsidy Calculations and Assumptions	**3**	Some LBRA records surrounding the negotiations were often incomplete or difficult to find. Estimates typically fail to include indirect project costs (staff and consultant costs).
Disclosure and Sharing of Down-Side Risks		There appears to be good communication of risks between LBRA and the City, with a few exceptions (e.g., CityPlace). However, Agency often takes on a high share of project risk compared to developer or other agencies (e.g., Los Altos, Wrigley).

Excellent / Highly Effective	**5**
Good	
Moderate/Limited Impact/NA	**3**
Fair	
Poor / Detrimental	**1**

C. Project Timing and Phasing

PROJECT TIMING AND PHASING		
Best Practice	**Performance**	**Comments**
Design, Approve, and Complete Projects As Promptly as Possible	**3**	Serious delays appear relatively isolated, but moderate avoidable delays during planning are too frequent (e.g., The Promenade, East Village Arts Park). Sources of delay are similar in some comparison cities.
Select Developers With a Proven Track Record of Completing the Type of Project Needed.		Project failures due to inexperienced developers appear relatively rare. Some comparison cities had more trouble with this issue.
Strive to Improve Inter-Departmental Coordination and Communication		Inter-departmental relationships and coordination have improved markedly over the past few years.
Manage Pro-Actively to Avoid Delays Within the Agency	**3**	It is not clear that projects are managed to avoid known sources of delay from prior projects, but recent projects implemented from within LBRA have gone smoothly (e.g. Daryle Black Park).
Avoid Delays That Discourage Private Investment		Some delays that may have contributed to disinvestment appear to have happened (e.g. Los Altos, possibly the Promenade).
Educate Public About Reasonable Expectations		Communication between staff, the LBRA, and PACs on the timing of redevelopment appears to be improving.

Excellent / Highly effective	**5**
Good	
Moderate/Limited Impact/NA	**3**
Fair	
Poor / Detrimental	**1**

D. Public Involvement and Communication

PUBLIC INVOLVEMENT AND COMMUNICATIONS		
Best Practice	**Performance**	**Comment**
Adapt Private Development Management Techniques	3	Private sector models are used, but staff turnover and incomplete record-keeping compromise performance. LBRA is now implementing performance based budgeting.
Maintain Clear Understandings of Roles and Responsibility		There are currently significant misunderstandings of roles and responsibilities of City Council, the LBRA board, staff, PACs, and the public. This should be a joint responsibility of LBRA and City Council.
Evaluate Project and Program Performance		LBRA is now implementing performance-based budgeting. This key management step is not followed by most comparison cities, though Sacramento has developed an informal scorecard.
Coordinate Inter-Departmental Staffing Closely		There have been significant improvements in coordination between LBRA, Public Works, and Parks in the past few years.
Involve all Design, Construction, and Maintenance Agencies Early		In the wake of the long East Village Arts Park delays, this has improved.
Integrate Urban Design Review Based on Objective Standards with Clear Timetables	3	Current design review is perceived as too subjective and lengthy.
Use Community-Based Project Managers	5	Agency maintains staff of community-based project managers that generally have good relationships with key groups.
Contain Administrative Expenses	3	Comparisons with other cities indicate that improvements may be possible.

Excellent / Highly effective   5

Good

Moderate/Limited Impact/NA   3

Fair

Poor / Detrimental   1

E. Internal Management and Evaluation

INTERNAL MANAGEMENT		
Best Practice	**Performance**	**Comment**
Adapt Private Development Management Techniques	3	Private sector models are used, but staff turnover and incomplete recordkeeping compromise performance. LBRA is now implementing performance based budgeting.
Maintain Clear Understandings of Roles and Responsibility		There are currently significant misunderstandings of roles and responsibilities of City Council, the LBRA board, staff, PACs, and the public. This should be a joint responsibility of LBRA and City Council.
Evaluate Project and Program Performance		LBRA is now implementing performance-based budgeting. This key management step is not followed by most comparison cities, though Sacramento has developed an informal scorecard.
Coordinate Inter-Departmental Staffing Closely		There have been significant improvements in coordination between LBRA, Public Works, and Parks in the past few years.
Involve all Design, Construction, and Maintenance Agencies Early		In the wake of the long East Village Arts Park delays, this has improved.
Integrate Urban Design Review Based on Objective Standards with Clear Timetables	3	Current design review is perceived as too subjective and lengthy.
Use Community-Based Project Managers	5	Agency maintains staff of community-based project managers that generally have good relationships with key groups.
Contain Administrative Expenses	3	Comparisons with other cities indicate that improvements may be possible.

Excellent / Highly effective   5

Good

Moderate/Limited Impact/NA   3

Fair

Poor / Detrimental   1

F. Conclusion

The comparisons in this Section III clearly identify many areas where the LBRA could improve its performance as a redevelopment agency. At the same time, they reflect the fact that – even when focusing on areas where the public, the PACs, or City Council have questioned its performance -- the LBRA is generally performing reasonably well. Not only is the Agency performing at the "moderately good" or "good" level (or above) against most of the "best practices", but its performance is generally higher when viewed in light of the comparison cities. Many areas in which the LBRA received a lower score are areas where comparison cities also indicated weaknesses.

Once again, it is important to remember that the scorecards did not cover areas of acknowledged strength or areas where concerns have not been raised by stakeholders in the redevelopment process.

The one remaining portion of the Independent Study is Task 4: *Moving Towards Best Practices.* During Task 4, we will focus on specific recommendations and identify specific steps that the LBRA might take to move closer to the best practices identified above.

Independent Study of

Redevelopment in Long Beach

TASK 4: MOVING TOWARDS BEST PRACTICES

Prepared For:

The Long Beach Redevelopment Agency

As of:

May 31, 2005

Prepared by:

CLARION ASSOCIATES, LLC
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T ASK 4   M OVING T OWARDS B EST P RACTICES

I.   Introduction

Task 4, *Moving Towards Best Practices*, is the culmination of the Independent Study of Redevelopment in Long Beach.   We build on our previous findings and offer recommendations for policy changes or specific actions that could significantly improve the Agency's effectiveness, efficiency, and relationship with the citizens of Long Beach.

At the outset of the Independent Study, we identified seven "Definitions of Success" that were to guide the remainder of our work. In Task 2, each of the eight case studies were evaluated against these definitions, and in Task 3, we developed Best Practices in light of these definitions.   Our specific recommendations contained in this report for how to improve redevelopment in Long Beach are likewise anchored in these seven definitions.

While "Providing Affordable Housing" is an important element of the Agency's mission statement and the Definitions of Success, the Independent Study did not devote substantial resources to evaluate the LBRA's performance in achieving this goal.   At present, the Housing Services Bureau implements affordable housing goals, and not the LBRA.   The LBRA's primary role is to provide the Housing Services Bureau with the statutorily required 20 percent pass-through of redevelopment tax increment for affordable housing. LBRA complies with this requirement, and it never became an issue for further study in this Independent Study.

This Task 4 report is organized in three substantive parts. In Part II, we discuss four key issues that emerged in the course of this Independent Study.   The first three reflect tensions created by fundamental trends in politics and public finance throughout California. The fourth key issue involves the operation and management of the LBRA. It is important that focus on "big picture" structural issues not distract attention from the numerous operational issues that may be just as important – or more important – in improving performance.

In Part III of this report, we present recommendations for specific actions that we believe would improve the effectiveness or efficiency of redevelopment in Long Beach, based on Best Practices we identified in our Task 3 report.   While our recommendations necessarily focus on LBRA as the central agent of local redevelopment activity, we also recognize that other stakeholders play important roles in local development outcomes. There are several areas in which it will take the cooperation or support of other stakeholders – such as City Council and the PACs – to improve performance.

The recommendations are made in the five major topic areas previously identified:

            1.   Project Selection and Prioritization
            2.   Project Financing
            3.   Project Timing and Phasing
            4.   Public Involvement and Communications
            5.   Internal Management and Evaluation.

Finally, in Part IV of this report, we suggest an action plan for LBRA that prioritizes our recommendations and suggests a timeframe for the steps necessary to implement the most important recommendations. We hope that the LBRA board, City Council, PACs,

and others will use this action plan as a checklist for tracking the Agency's progress toward improved performance.

II.   Four Key Issues

In the course of this Independent Study, four key issues have emerged that deserve additional discussion before we reach more detailed recommendations. The four key issues are:

- Effective Governance Structure for the LBRA,
- Public Involvement and the Role of the PACs,
- The Need to Spread the Wealth, and
- Operation and Management of the LBRA.

We believe that the first three issues have gained prominence because of fundamental trends in politics and public finance throughout California. The fourth is grounded in specific observations about the LBRA. Each of these issues is discussed below, and additional recommendations related to these issues can be found in Part III of this document.

A. Effective Governance Structure

Although the governance structure of the LBRA was not one of the topics highlighted in the original RFP for this Independent Study, it quickly became a topic of public discussion following an August 26, 2004 letter from City Manager Gerald Miller to the Long Beach City Council suggesting that the City Council take over the duties of the LBRA Board of Directors. In December 2004, the Independent Study team was asked to shift more focus to discussion of governance structures – with particular focus on the merits of an independent board as opposed to a City Council board – and the team produced a report entitled *Preliminary Report on Options for Governance of Redevelopment*.

At that time, the Independent Study team believed – and we still believe – that the form of governance is <u>not</u> the most important redevelopment issue facing the LBRA or the City of Long Beach. Our December report, as well as experience in other cities, shows that a variety of different governance structures can produce effective redevelopment. Our Task 3 *Best Practices and Comparison Cities Report* identified 37 different Best Practices that would address areas where the performance of the LBRA might be improved. The need for a "Strengthening the Shared Vision Between the LBRA and the City Council" is listed among the 37 Best Practices, because it is important – but it still represents only one of 37. A recent governance study by the City of Chula Vista (which recommended a 501(c)(3) structure) reached the same conclusion and stated:

> "There are many aspects to the workings of a business, non-profit and government agency. How a company or agency organizes itself is only one of the many factors that can lead to success or failure. Other important considerations include the company's resources, strategic planning and leadership, management, access to capital, development, retention of trained employees, and many others."[16]

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[16] City of Chula Vista, *Report on the Formation of the Chula Vista 501(c)(3) Corporation*, July 20, 2004, p16.

Nevertheless, because of its high visibility in Long Beach at the present time, we review the evidence on governance structures in some depth below.

1. The December Preliminary Report

In our *Preliminary Report on Options for Governance of Redevelopment* issued in December 2004, we reviewed the governance structures for the 20 largest cities in California, as well as five large cities outside California, and identified the advantages commonly identified with the four different forms of governance listed below:

- Advantages of Independent Board Governance
  - De-Politicizing Decision-Making
  - Specialized Skills of the Board
  - Sharing the Workload
  - Recognizing Redevelopment's Unique Needs
  - Efficiency (?)

- Advantages of City Council Governance
  - Avoiding Differences in Policy Direction
  - Simpler Governance Structure
  - More Direct Accountability
  - Simpler Pubic Involvement
  - Efficiency (?)

- Advantages of Community Development Commission Structure
  - Coordination of Housing and Redevelopment Opportunities
  - Staff and Resource Sharing

- Advantages of 501(c)(3) Community Development Corporation Structure
  - Perception of Business Orientation
  - Efficiency (?)

2. Evidence from the Case Studies

Each of the eight Long Beach case study projects was conducted under the City's independent board governance structure.   While the case studies were chosen to represent a variety of projects (large and small, downtown and neighborhood, and revenue-generating versus public facilities) rather than to evaluate governance structures, we found that several of the case studies showed a clearly shared vision between the LBRA Board and City Council. Indeed, the growing number of public park projects reflects a joint priority of the City Council and the LBRA board. The Los Altos Shopping Center project might not have happened but for the close partnership between the LBRA and Council member Tom Clark. While opinions on the recently-completed CityPlace project are mixed, we found that the desire to redevelop this area with a shopping complex was almost universally shared between the LBRA and Council, and that the form of the completed project takes good advantage of the reasonable market potential of the site.   In general, the case studies do not suggest that the current governance structure is an obstacle to successful redevelopment in Long Beach.

3. The Experience of Comparison Cities

- Three of the comparison cities (Oakland, Pasadena, and Sacramento) have governance systems in which the City Council acts as the governing body of the Agency, while one (Portland) did not, and one (San Diego) operates a "mixed" system (see discussion below). Clearly, the vast majority of California cities use a City Council governance structure, although San Francisco has an independent board structure similar to that in Long Beach, and San Diego has a "mixed" system.

- Interestingly, however, redevelopment in the strategic Downtown and Southeast areas of San Diego is managed by two non-profit 501(c)(3) corporations (CCDC and SEDC), that have boards of directors appointed by City Council, and that serve the same project packaging and proposal screening function that is usually performed by an RDA board where one exists. Since redevelopment projects in the Downtown and Southeast areas do not reach City Council unless they have been approved by the CDC boards, San Diego is a better example of a "mixed" governance system than a pure Council governance system.

  We do not believe that the number of cities that use either system is a strong "pro" or "con" for either system. While the fact that most cities use City Council governance could be cited as evidence against independent board governance, the fact that three of the four California cities larger than Long Beach use an independent board or mixed system could be cited as an argument favoring for independent board governance.

- Importantly, the three largest comparison cities with a City Council governance structure (San Diego, Oakland, and Sacramento) have full-time paid City Councils with salaries and expense allowances ranging from $62,000 to $88,000 per year. Only the smallest comparison city (Pasadena, with a population of about 134,000) has a part-time City Council that also serves as an RDA governing body.

- Staff of three of the comparison cities felt that their form of governance contributed to their success.   More specifically, the staff of the Portland Development Commission felt that their independent governance structure allowed them to make more professional and less-politicized decisions than if City Council were the governing body.   In contrast, both San Diego and Pasadena raised City Council governance as a factor in their ability to maintain a consistent vision for redevelopment.   The remaining two cities (Oakland and Sacramento) expressed satisfaction with their current governance system, but did not identify it as a factor in their success.[17]

- Within each of the comparison city governance structures there is significant variation in terms of (a) whether there is a subsidiary body with redevelopment duties, and if so (b) whether the subsidiary body has decision-making authority, and if so (c) what types of decisions are made by the subsidiary body.   Because of continued interest in the details of these decision-making systems, the following table from the Task 3 *Comparison Cities and Best Practices Report* is included below.

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[17] Interestingly, the City of Chula Vista study referenced above also surveyed nine California cities regarding factors that contribute to success, and only one (Santa Barbara) identified the governance structure as a key factor. Several, however, mentioned the importance of a consistent and patient vision consistently implemented by the governing body, the skills of Agency staff, and partnerships with the business community.

COMPARISON OF DECISION-MAKING AUTHORITIES								
	Review and Decision Authority							
City:	Create / Amend Project Area	Strategic/ Redevelop-ment Plan / Goals for Project Area	Appoint RDA or Advisory Board Members	Appoint PAC/ RAC/ URAC Members	Approve New Project in Existing Area	Use of Eminent Domain for Project	Con-tracts for Services	Hiring / Dismissal of Director
Long Beach	LBRA to CC	CC or LBRA[1]	CC	N/A	CC or LBRA[2]	LBRA	LBRA	CM
Oakland	CC	CC	NA	CC[2]	CC	CC	CC[4]	CA
Pasadena	CC	CC	CC[5]	N/A	CC	CC	CM or CC[6]	CM
Sacramento	AC to CC	AC to CC	CC	CC	AC to CC	AC to CC	AC or CC[7]	CC
San Diego	CC	CC	CC[8]	N/A	CC	CC	SDRA or CC[9]	CM
Portland, Oregon	CC or PDC[10]	CC	CC	PDC	CC or PDC[11]	CC or PDC[12]	PDC	PDC

Abbreviations: CC = City Council; CM = City Manager; CA = City Administrator; PDC = Portland Development Commission; AC = Advisory Commission/Committee; NA = Not Applicable; SDRA = San Diego Redevelopment Agency

1. Redevelopment plans are approved by CC as part of project area creation; Strategic plans approved by LBRA.
2. LBRA has authority to approve projects that do not involve the purchase of land with TIF revenues.
3. CC appoints members of community boards, and the community boards select 25% of the PAC members.
4. Contracts under $50,000 are administratively approved.
5. Appointments are district-based – each Councilmember appoints one member.
6. City Manager can approve contracts under $75,000.
7. Advisory Redevelopment Commission may approve small contracts (under $25,000)
8. SDRA does not have an advisory board, but City Council appoints advisory boards for both CCDC and SEDC.
9. SDRA may approve contracts up to $250,000.
10. Although City Council must approve all project areas, PDC has authority to approve minor amendments.
11. PDC has authority to approve minor projects within project area goals and debt limits.
12. Authority to authorize eminent domain is different in different project areas.

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4. **Additional Discussion**

- **The Need for a Shared Vision**
  One of the important Best Practices listed in the Task 3 Report is the need for a shared vision between the City Council and LBRA Board. Based on our review of the case studies, we believe that there has been a large degree of shared vision and cooperation between the LBRA and City Council over many years – sometimes punctuated by disagreements on specific projects – and that gaps in the formulation and implementation of this shared vision can probably be addressed through targeted changes in discrete areas. This issue was raised in Long Beach City Manager Gerald Miller's August 2004 letter to the City Council regarding governance. Although use of a City Council governance structure would avoid the need to maintain a shared vision between the Council and the LBRA Board, that simplification would be achieved at the risk of losing the long-term strategic vision that the LBRA Board now brings to the effort. Several comparison cities mentioned the importance of consistent, patient pursuit of a clear vision by the leadership as more important to success than the type of governance used.

> *The need to develop a shared vision between the City Council and the LBRA Board could be simplified if a City Council governance structure was used, but the perspectives currently represented by the LBRA Board would still need to be integrated into the governance process.*

- **The Need for Balanced Long-Term Investments**
  Our Task 3 *Comparison Cities / Best Practices Report* emphasized the importance of implementing a "Balance of Strategic and Neighborhood-Serving Projects." The governance structure chosen should support this balance over time. Because of (a) term-limits for local elected officials, (b) the rising importance of neighborhood groups in California politics, and (c) the serious fiscal constraints on California cities, there is significant pressure to use redevelopment funds to pay for neighborhood infrastructure and public works projects. In general, California cities are responding to these pressures by redirecting some redevelopment funds towards neighborhood public works projects, and several of the comparison cities mentioned that this has resulted in greater politicization of redevelopment decisions.

  At the same time, some RDA staff expressed concern that this trend would result in "checkbook redevelopment" – *i.e.*, a belief that blight can be removed and economic growth promoted through parks and public works projects, and that these were likely to fail in the long run unless well-targeted and combined with others. Indeed, the Chula Vista governance report cited above was initiated in part because the City Council-governed RDA had focused on public works projects – rather than on more strategic, long-term revenue-generating investments – to the point where the RDA was facing significant financial shortfalls. Whatever governance structure is chosen, it should include safeguards against the potential dangers of devoting too many redevelopment resources to infrastructure and public-facility projects.

  > *The importance of balance in redevelopment projects and the growing pressures towards short-term decision-making in municipal government support the need for independent board governance – or at least hybrid governance that protects a significant portion of redevelopment revenues to continue strategic, long-term investments.*

- **The Need for Strategic Guidance of Long-Term Investments**
  Our Task 3 *Comparison Cities / Best Practices Report* also emphasized the need for "Strategic Guidance of Large-Scale Projects" – i.e., the need for key long-term job and revenue-generating investments to be guided by those with expertise in key professional disciplines. There are a variety of ways to tap those specialized skills in the redevelopment process. In Irvine, the City Council is supplemented by four additional professionals when it sits as the redevelopment agency board. Chula Vista is considering moving redevelopment decision-making to an independent 501(c)(3) body (perhaps with some Council members on the board) to achieve the same result. San Diego's hybrid structure makes strategic investments in the Downtown and Southeast areas subject to selection and screening by boards with professional representation, while leaving more neighborhood oriented development to be guided by the City Council without screening. One of the comparison cities (Pasadena) found that it was more difficult to retain top quality professionals with expertise in development, finance, and other key fields on its RDA board after its decision-making board was converted into an advisory board in the 1970s.

The importance of strong, professional guidance of job- and revenue-generating investments supports the need for independent governance, or at least hybrid governance that maintains strong professional guidance of those portions of redevelopment devoted to strategic revenue generating investments.

- **The Importance of Political Accountability**
  As the elected representatives of the citizens, most City Council members feel a keen responsibility to make good decisions, and to be accountable for those decisions. When a non-elected government agency makes key decisions that prove unpopular, and citizens complain to City Council, it is frustrating to Council members who were not involved in the decision. At its worst, Council members feel that they receive unjust criticism, since citizens may not understand who actually made the decision. This frustration was cited in Long Beach City Manager Gerald Miller's August 2004 letter on the governance topic.

  The desire for direct political accountability argues against independent board governance, and for direct City Council governance.

- **The Need for Political Distance**
  Some redevelopment decisions are inherently difficult and likely to provoke emotional responses from those most affected – particularly decisions related to the relocation of existing residents and businesses, as well as the potential use of eminent domain. In some cases, it would be wise to have decisions (or recommendations) on these difficult issues made by those who are insulated from day-to-day political pressures and from pressures toward short-term decision-making. Some observers believe that governance questions reflect the tension between desires for direct political accountability (which may lead to overly short-term decision-making) and desires for political distance (which may lead to decisions that are insensitive to the desires of current residents), and that the search should be for a happy medium.

  The desire for political distance from highly controversial or emotional decisions that may nevertheless be in the best interests of the city argues for independent board governance – at least on those types of issues.

- **Time Required to Process Development Approvals**
  Under an independent board governance structure, some decisions still require approval by both the RDA and the City Council, and this sometimes requires two public hearings and two votes. Under some City Council governance structures, the need for a preliminary hearing and vote of the RDA board is avoided, and this may save time (and related staff effort) in the redevelopment approval process. However, the number of decisions that require two votes is generally only a small portion of the Agency's workload, and our evaluation of the case studies showed that time lost in obtaining votes from both LBRA and City Council was generally quite small in relation to the project development and implementation time frame.

  The ability to have only a single public hearing and vote on key redevelopment decisions (such as the creation of a new project area) argues in favor of a City Council governance structure, although the time saved is not very significant.

- **Time and Energy Involved in Agency Governance**
  As noted above, the amount of work involved in reviewing, revising, and approving a redevelopment project is very significant, particularly in a large city. All of the

comparison cities agree that this requires a significant commitment of time and energy by the governing body. Because of the many demands on the time of Long Beach City Council members, it is not clear that the additional work to review and approve redevelopment in all seven redevelopment areas could be absorbed under the current part-time City Council structure. Indeed, it appears that Long Beach is the largest city in California without a full-time paid City Council, and the combined duties of general government and redevelopment agency board in a large city may be poorly matched to a part-time Council structure.

Because of the time and energy required to review and make decisions on redevelopment projects, the fact that Long Beach does not have a full-time City Council probably argues against City Council governance unless and until the City moves to a full-time Council.

- **Avoiding the Appearance of Conflicts of Interest**
  Conflicts of interest can occur between the governing body of an Agency and potential applicant/developers regardless of whether that governing body is the City Council or an independent board (or a hybrid structure). While the appearance of conflicts of interest should be taken very seriously, and can undermine confidence in government very quickly, we believe that the best approach to avoiding conflicts of interest is to take strong measures to ensure the governing body's compliance with California's conflict of interest statutes regardless of the structure chosen.

  The desire to avoid the appearance of conflicts of interest may not be a significant "pro" or "con" for a specific form of government unless the City believes that either City Council or the LBRA Board (or a hybrid structure) is more likely to be involved in potential conflicts of interest or the appearance of conflicts of interest.

- **Two Models of Change**
  Our December 2004 *Preliminary Report* indicated that changes in redevelopment governance in California appear to fall into two scenarios; they are either (a) dramatic changes provoked by an unpopular (or failed) redevelopment project of some type, or (b) incremental changes following detailed study of the options available. Interestingly, dramatic changes can go in both directions – Pasadena moved from an independent board to City Council governance following a highly controversial redevelopment project denial, while Bakersfield moved from City Council governance to an independent board following the Council's controversial use of eminent domain powers. We believe that Long Beach is currently involved in the second situation (i.e., there has been no dramatic redevelopment failure or difference of opinion sufficient to justify a reactive change of governance). Instead, we believe the LBRA and the City Council are and should be engaged in a discussion of incremental changes based on a careful study of specific problems and options to resolve them.

B. Public Involvement and the PACs

The second key issue is how best to involve the public in redevelopment decision-making and whether the current Project Area Committee (PAC) structure should be revised to expand or deepen public involvement. The Independent Study review of comparison cities revealed that many different PAC structures (as well as non-PAC structures) are used in California and elsewhere. We believe that it may be time to review whether

continued reliance on the purely-elected PAC structure as the primary source of public input is in the best interest of the city.

- **Strains in the Relationships**
  While Long Beach has a long history with its three elected PACs, there appear to be almost continuous strains in some of those relationships. Several members of the city's elected PACs expressed frustration that, after long hours of meetings and input, the PAC's priority lists for redevelopment projects were not implemented as they were delivered to the LBRA. In addition, there were PAC comments that LBRA staff sometimes appears to spend more time discussing what cannot be done – rather than what can be done – with redevelopment funds. On the other hand, some City Council members have stated publicly that the PACs (particularly West PAC) are not representative of their constituents' interests.

- **One Strong Relationship**
  At this time, only the relationship between the PACs and the current LBRA board members appears to be strong, with several PAC members stating that the addition of PAC nominees to the LBRA board has made those relationships "the best they have ever been". Interestingly, in 1999, the LBRA hired the Rosenow Spevacek Group to study this relationship and prepare a *Report Regarding Facilitation of Communications between the Long Beach Agency Board of Directors and the Project Area Committees*. The fact that the LBRA Board/PAC relationship is now strong may suggest that relationships between other stakeholders will respond to careful and concerted efforts to strengthen them.

- **Two Sets of Constituents**
  Unfortunately, the statutory mandate for the creation of an elected PAC (if eminent domain powers are to be used in residential areas) seems to have had the unintentional effect of dividing the public that cares about redevelopment issues into two groups. The first group includes those who have time to serve on a PAC or attend PAC meetings. By and large, this first group gets to know some LBRA staff and Board members and gain a good understanding of the Agency and the legal and financial constraints on redevelopment programming. The second group includes those who do not have the time or inclination to participate in PACs, but who nevertheless have (sometimes strong) opinions about where funds could be spent to remove blight and improve their neighborhoods. In some cases, the second group does not have a good understanding of how redevelopment funds may be used or strategies that could generate adequate revenues to ensure sustainable flows of TIF to the LBRA and taxes to the city over time.

- **Two Lines of Communication**
  In Long Beach, it appears that the first group – which is more actively involved -- may be communicating their preferences more frequently to the LBRA board, while the second group – which is interested but less involved – may be communicating their opinions primarily to their City Council members. While these alternate lines of communication can be seen as a weakness of the current system, it does not have to be. Several comparison cities use alternative input structures to ensure that no one group has a monopoly on redevelopment input, and that the representation on input groups is as inclusive as possible. For example, San Diego obtains input through both elected PACs and through neighborhood-based Community Planning Boards – even though their differing perspectives regularly lead them to give different advice. Oakland uses a structure in which City Council names representatives of community

groups, who then name 25% of the PAC members. Sacramento has shifted (with one exception) to PACs appointed by Council.

- **The Challenge of Involving Non-PAC Citizens**
  It is instructive that – despite extensive outreach through non-traditional channels (i.e. not dependent on the PACs) – very few members of the second (less involved) group participated in Independent Study round tables or community meetings. A total of approximately 800 written invitations and 150 e-mail invitations were circulated to both individuals and groups for the three community open houses. There was a fairly good turnout of non-PAC members at the first open house (February 2), only five non-PAC members at the second open house (April 13), and ten persons at the third community-wide open house (May 25). While it is always possible to identify additional efforts that could have been made to engage the public, we believe that the efforts made in this Independent Study were significantly greater than normal for a study of this type – and clearly beyond the financial capacity of the LBRA or the City to fund on an on-going basis. Instead, we believe it reflects the fact that many citizens have opinions about what they would like to see, but not the time to engage in a formal process of citizen involvement. Again, the Long Beach approach to citizen involvement should encourage and respond to public input from both groups.

- **The PAC System is Durable**
  Finally, our review of comparison cities suggests that it is better to address specific weaknesses in the public involvement and PAC system than to try to replace it entirely. Among the comparison cities, only Sacramento has moved to transform its existing PACs into something significantly different – i.e., organizations that are primarily appointed bodies, subject to term-limits, and that comply with city policies regarding performance. The SHRA emphasized that this change has taken many years and the disciplined leadership of City Council to overcome resistance by those used to the statutory PAC system. In contrast, some leadership of the San Diego Redevelopment Agency recommended replacement of the elected PACs for several years, but were not able to overcome the resistance to change.

- **A Possible Hybrid System**
  For all of these reasons, we recommend that Long Beach move to strengthen – but not replace – the current PAC system. One possible change would be to move to a hybrid PAC structure that would permit the City Council to appoint some percentage of the PAC members, in order to ensure that key constituencies of elected leaders are being represented. If the current good relationship between the PACs and the LBRA board could be broadened to help reflect the City Council's perception of local priorities, the quality of public input could be improved and the perceived gaps between different views of neighborhood needs could be narrowed.

C. The Need to Spread the Wealth

Last year, the Agency received the results of a study by Keyser Marston Associates (KMA) exploring the financial costs and benefits of possible merger of the city's seven

Project Areas, and outlining various alternatives to consolidation.[18]   Task 4.1 of the Independent Study Scope of Work calls for a review of the KMA study on project area merger to evaluate whether any alternatives suggested in that study would be helpful in implementing, the "best practices" identified in Task 3. The discussion below is based on our review of the KMA report.

- **The Best Practice**
  In the Task 3 *Comparison Cities / Best Practices Report*, we identified one best practice that is clearly related to the topic of the KMA report. More specifically, under the heading of "Project Financing", we identified the following best practice:

  > **"Spreading the Wealth.**   LBRA should work to ensure that all redevelopment areas benefit from available TIF streams and redevelopment investments, to the extent permitted by California law. The Agency should continue to search for ways to make available revenue streams generate benefits over disadvantaged areas of the city."

- **Weaknesses of Seven Separate Financing Systems**
  We concur with the conclusion of the KMA merger study that the current seven project areas are have financial strengths and weaknesses that compromise their abilities to achieve the removal of blight and to promote economic development that is at the heart of the California Redevelopment Act. In fact, the KMA study documents the fact that discussions on how to "spread the wealth" among the seven project areas have been underway for many years.

- **The Need to Share Resources**
  We believe that the LBRA and the City Council should try to reduce the "Balkanization" of redevelopment funds in order to use them in areas where they are most needed to reduce blight and to promote economic development, as permitted by California law. Clearly, some of the strongest tensions that have faced the LBRA over the past decades have been those surrounding the sharing of revenues (i.e. the inter-project transfer from West Long Beach Industrial project area for the Los Altos Shopping Center) and the frustrations surrounding the lack of redevelopment funds for the North – and more recently the Central – project area. If the PACs are to remain fundamental to the public involvement process (as recommended in subsection B above), then the mandates of the PACs need to work within a structure that reflects both local and city-wide interests.

- **Many Options are Available**
  Although the KMA report is sometimes cited as a recommendation for a full merger the seven project areas, a careful reading of the study shows that the consultants actually outlined a broad range of options that would allow Long Beach to "spread the wealth" generated by redevelopment. In light of the results of the Independent Study case studies and public involvement process, we believe that attention should not focus on KMA Alternative #2 (Unrestricted Merger), but should instead focus on some combination of Alternative #3 (Retain Existing Project Area Committees), Alternative #5 (Each Project Area Keeps a Fixed Portion of its Revenues), Alternative

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[18] The KMA study on merger is part of a larger group of studies, and is contained in a document titled "City of Long Beach, Redevelopment Reports Requested by City Council on August 20, 2002; Volume 3: Background on Project Area Mergers, Public Involvement in the Merger Process, Merger Alternatives (Parameters)."

#7 (Project Areas Keep All Bond Proceeds After Merger and Annual Revenues are Pooled), and Alternative #8 (Reallocate Port Tax Increment).

- **Retain Project Area Committees**
  With regard to Alternative #3 (Retain Existing Project Area Committees), the revised project financing approach should include retention of the current Project Area Committees because of the strengths of the PACs discussed in subsection B, as well as the unique status granted to West PAC through its Stipulated Settlement Agreement with the LBRA. While we believe the role and perhaps membership of the PACs should be revised as set forth in Subsection B, we also believe that any proposal to "spread the wealth" of redevelopment that involves elimination of any of the PACs would create a serious distraction from more pressing redevelopment priorities.

- **Allow Project Areas to Keep Fixed Portion of Revenues**
  With regard to Alternative #5 (Each Project Area Keeps a Fixed Portion of its Revenues), we believe that any system to spread the wealth in Long Beach is likely to fail (and to create long-standing animosity) if it does not guarantee to each project area not only the revenues necessary to satisfy debts and obligations, but also a portion of the remaining revenues. Partial sharing of the "upside" (above pre-existing obligations) is often a workable compromise step in those communities that use tax-base sharing (e.g. Minneapolis), because it allows participants to acknowledge the importance of citywide interests without giving up all the fruits of decisions and investments they have made in the past.

- **Allow Project Areas to Keep Bond Proceeds**
  With regard to Alternative #7 (Project Areas Keep All Bond Proceeds After Merger and Annual Revenues are Pooled), we believe that past decisions to issue bonds secured by tax revenues should be honored by allowing the areas for which they were issued to retain the bond proceeds. Not only does this avoid any possible legal challenges through strict compliance with the terms of the original bond documents, but it avoids the difficulty of explaining to the public why bonds issued for one purpose are being used for another. The primary benefits of sharing the wealth can be achieved prospectively – without redistributing current assets.

- **Reallocate Port Tax Increment**
  Finally, with respect to Alternative #8 (Reallocate Port Tax Increment), it has been clear since the inception of the Independent Study that there are widespread hard feelings over the fact that the West Long Beach Industrial and the North Long Beach project areas have "captured" TIF from the Port of Long Beach. Not surprisingly, these sentiments are expressed most strongly by the Central project area – the largest project area that does not share in the TIF benefits of the port. It also appears to have been a contributing factor in the inter-project area transfers and investments used to fund the Los Altos and Wrigley MarketPlace projects. The inequities generated by having the revenue potential of one of the city's major assets directed to only two portions of the city has been the cause of significant tension over the role of the PACs, as well as the role of the LBRA board, in the redevelopment process.

- **Non-Merger Options**
  The KMA report also identifies several ways to "spread the wealth" between project areas without the use of formal project area mergers. If the approaches to restricted project area mergers above cannot be implemented, then we recommend that the

non-merger options be pursued (such as payments of other project areas' housing set-aside obligations and repayment of existing loans to the city).

D. Operation and Management of the LBRA

The Independent Study case studies and comparison city research makes clear that there are significant areas for improvement. As noted earlier, this work can be organized into five basic areas:

1.   Project Selection and Prioritization
2.   Project Financing
3.   Project Timing and Phasing
4.   Public Involvement and Communications
5.   Internal Management and Evaluation.

While some aspects of these five topics have been addressed in subsections A, B, and C above – for example, the issue of project selection and prioritization is covered in part in the discussion of "shared vision," and project financing was touched on in the discussion of spreading the wealth – there are many other aspects that have not yet been discussed.

We raise this fourth key issue because there is often a tendency to focus on "big picture" structural changes to redevelopment, but operational and internal management changes in the LBRA and its partners may be just as important – or more important – to improving the performance of redevelopment. Good operation and management are less visible to the public and often less newsworthy to the press, but that does not make them less important. Several comparison cities emphasized that their successes have been the result of continuous improvements in operations and learning from mistakes, rather than from any one dramatic change in the city's approach to redevelopment.

Detailed recommendations for operational and internal management improvements are discussed in Part III below.

III.   Recommendations

A. Introduction

As the case studies demonstrated, redevelopment in Long Beach has generally met with financial success and generated positive impacts on surrounding areas. Most of the Agency's past projects have been popular with the public – especially the citizens that live closest to them. Public concerns about redevelopment in Long Beach have instead centered on:

- Whether the LBRA should have selected other projects or designs than the ones they chose,
- Whether the project adequately reflected public input,
- How the project was financed,
- Whether the applicant/developer subsidy was appropriate,
- Whether the off-site impacts met expectations, and
- Whether the projects could have been completed faster.

In short, most of the questions about LBRA's performance have concerned "how" the Agency does business, how it measures success, and whether that can be improved, and not on the project's success *per se*.

This section brings together all our previous Independent Study efforts to provide the Agency and City Council with specific recommendations in the following five major topic areas.

- Project Selection and Prioritization
- Project Financing
- Project Timing and Phasing
- Public Involvement and Communications
- Internal Management and Evaluation.

B. Project Selection and Prioritization

1. Conclusions

The Project Selection and Prioritization scorecard assesses the LBRA's ability to select and prioritize projects in a manner that furthers a long-term vision it shares with the City Council, that are strategically important to blight removal and economic development, and that generate social as well as financial benefits. Based on our case study evaluation and comparison with other cities and industry best practices, we conclude that LBRA's performance in this area is very good overall, with an average score of 4.0 out of 5. There are some areas, however, where the LBRA's performance could be even stronger.

As one key example, the LBRA faces increasing challenges to balance long-term and short-term redevelopment needs, as well as neighborhood-specific needs and citywide strategic opportunities, while sustaining the long-term economic viability of the city's redevelopment program. While not every redevelopment proposal has to be a TIF-generating project, increasing demands for redevelopment-funded, neighborhood-

oriented public facilities that do not generate revenues have to be proactively managed to ensure an appropriate and viable balance of non-TIF generating projects.

The LBRA to date has not clearly enunciated (a) its policy or criteria for how redevelopment projects are selected and prioritized, (b) how compatible the Agency's project selection process is with other city-wide priorities such as funding necessary capital improvements, affordable housing, or historic preservation, or (c) how opportunistic investments are factored into the prioritization process.

2. Recommendations

Based on the areas identified for improvement, we make the following recommendations.

- **Strengthen the Shared Vision of LBRA and City Council**
  As noted in Part II above, we believe that the LBRA and the City Council already have a shared vision reflected in a long track record of successful projects – but that increasing fiscal and political pressures have begun to strain that vision, and to make differences appear larger than they may be in reality. Changes to the LBRA and City Council should be targeted towards discrete areas where differences of opinion have appeared. To do that, the LBRA and City Council should take the following specific actions:

  o Identify and Address Discrete Areas Where The Shared Vision Has Broken Down. City Council, the City Manager, and the LBRA Board should jointly identify specific areas (e.g., use of eminent domain powers, or project selection and prioritization, or relocation programs) where gaps in the shared vision have emerged, and should consider whether a change of communication systems, operating practices, or governance structure is needed.

  o Conduct More Frequent Joint City Council/LBRA Board Work Sessions. Joint City Council/LBRA work sessions (such as the three held during the Independent Study) should be conducted on an annual basis to establish the "balance" of funds devoted to strategic, revenue-generating projects, versus neighborhood facility and infrastructure projects, to discuss how best to "spread the wealth" among the various project areas over the next year, and to address potentially complex or controversial issues.

  o Conduct Joint Public Hearings on Key Plans and Amendments. Each redevelopment plan, five-year implementation plan, and public hearing to review and act on such plans and plan amendments should be the subject of a joint (rather than sequential) public hearing.

  o Expand Communications with Council Offices About District Priorities. The LBRA staff should continue to regularly communicate with City Council members whose districts contain redevelopment project areas about their district needs, and about Agency preferences, constraints, and opportunities. When there is a PAC in a Council member's district, the Council office and LBRA staff should ensure PAC representatives are invited and included in all discussions LBRA staff have with the Council member.

- **Select Projects of Strategic Importance to Blight Removal and Economic Development, While Balancing Strategic and Neighborhood-Serving Projects**
  Generally, LBRA should select projects of strategic importance to the city or the project area where they are located so that their community impacts are multiplied by subsequent private sector actions. Project selection should strike a balance between: (1) large, highly-visible, revenue-generating projects that represent strategic investments for the city as a whole through broad-based economic development, and (2) smaller-scale neighborhood-oriented projects to promote small-scale economic development, housing improvements, capital facilities or infrastructure. In addition, the LBRA needs to be more specific about the criteria it will use in selecting, financing, and facilitating neighborhood-serving projects such as parks and open space. To do that, the LBRA and City Council should take the following specific actions:

  o <u>Clarify Criteria for Funding Infrastructure and Public Facility Projects</u>. LBRA should clarify its criteria for funding infrastructure and public facilities (i.e., clarify when they will be funded as stand-alone projects, as opposed to elements of a broader redevelopment project), and should clearly identify the priority of infrastructure and public facility projects in relation to direct job- or revenue-generating activities.

  o <u>Execute the Selection and Prioritization Policy</u>. The Agency should execute the above policy by including in staff reports of potential projects an evaluation of how well each proposed project meets the policy criteria, and by suggesting a priority order for selecting and implementing the proposed projects.

- **Allow For, and Prepare the Public for, Some Opportunistic Investments**
  The LBRA's semi-autonomous status gives the Agency much-needed flexibility to respond to market opportunities quickly and effectively. PACs and the public should understand that some aspects of redevelopment are inherently "opportunistic," and that some projects that could significantly promote implementation of the redevelopment or implementation plans may arise from opportunities that are unforeseen at the time project priorities are set.

  o <u>Educate PACs and Public About Allowing Some Opportunistic Investments</u>. The Agency and the PACs and public should be willing to allow for deviations from adopted priorities in order to take advantage of those opportunities. The Agency should anticipate this circumstance by fully educating the PACs and the public about the need to allow for some opportunistic investments.

  o <u>Disclose Opportunistic Investments and Rationale Promptly</u>. In order to avoid confusion (and the perception that the LBRA may be ignoring previously expressed project preferences), LBRA should keep City Council, the PACs, and the public promptly informed if it is presented with an opportunity to finance a project that was previously unforeseen, but that will promote project area goals as well or better than known and prioritized projects.

C. Project Financing

1. Conclusions

The Project Financing scorecard assesses LBRA's ability to raise and invest redevelopment funds in a manner that maintains the Agency's financial health while achieving the goals articulated by its stakeholders. It also addresses the Agency's ability to direct financing towards areas of greatest need. Based on our case study evaluations and comparisons with other cities and industry best practices, we conclude that LBRA's performance in this area is good overall, with an average score of 3.7 out of 5, but there is considerable variability among the individual indicators.

The Agency has been especially effective at executing projects that both provide an economic return to the LBRA and yield significant benefits to its stakeholders and the City as a whole. It appears that the Agency's solvency has never been at risk. LBRA often manages to leverage its resources with non-Agency funding to get maximum benefit from its budget. Although much of the Agency's resources historically have been funneled into the downtown area, in recent years an increasing share of LBRA's funding has been spent in neighborhoods outside downtown.

However, the LBRA has not been able to accurately forecast project costs, and has also had instances of poor performance in recognizing and managing project risks. The Agency also has not done a good job of documenting its project costs and assumptions for other stakeholders to review. Finally, the Agency has demonstrated little interest in evaluating the economic benefits or social impacts of its projects, once they have been funded.

2. Recommendations

As discussed in Section II above LBRA should work to ensure that all redevelopment areas benefit from available tax increment streams and redevelopment investments, to the extent permitted by California law. The Agency should continue to search for ways to make available revenue streams generate benefits for disadvantaged areas of the city. (See Section II.C). In addition, we recommend the following changes to improve project financing performance:

- **Enhance Financial and Information Systems to Allow Project Level Reporting and Evaluation**
  The City's financial and information systems should be augmented to facilitate project-level reporting and evaluations. The current system essentially precludes such comparisons due to incompatible accounting conventions – pre-project costs tend to be categorized by type of expenditure, while post-project expenses are tracked by funding source – and because projected revenues are generally not tracked at all. The information generated by a more flexible and project-oriented system would provide LBRA staff with invaluable data to make more effective forecasts about costs for future projects; help anticipate (and prevent) potential cost overruns; and maximize the effectiveness of each LBRA investment by enabling cost-revenue comparisons.

The information generated by the reporting system would provide LBRA staff with invaluable data to make more effective forecasts about costs for future projects; help anticipate (and prevent) potential cost overruns; and maximize the effectiveness of each LBRA investment by enabling cost-revenue comparisons. The reporting system can also be an effective communication tool, providing important information to stakeholders about the successes and failures of each project (as discussed more fully in the Public Involvement and Communications section below).

- **Adopt Financing and Investment Standards that Ensure Greater Transparency and Accountability**
  In the private sector, a series of high-profile corporate scandals led to passage of the Sarbanes-Oxley legislation, which seeks to protect investors by improving the accuracy and reliability of corporate disclosures. Similarly, the combination of strained government budgets and greater voter skepticism about the effectiveness of government programs has imposed a greater level of scrutiny on the public sector. We recognize that these standards have not been widely adopted by redevelopment agencies, either in California or elsewhere.

  - Recognize that Accountability Standards and Scrutiny are Increasing. The LBRA should recognize that accountability standards are increasing, and a higher standard might soon be required, either formally by state regulation, or less formally when demanded by the public. It would be wise for the Agency to adapt these emerging standards to the Agency's circumstances and needs.

- **Adopt Project Templates to Improve Accuracy of Cost Estimates**
  The Agency should adopt uniform cost and revenue forecasting techniques and formats to ensure consistent project estimates. Such templates would make it much less likely that staff could overlook or ignore important cost categories or skew the investment analysis with selective use of data. The template should include all elements of costs including the cost of off-site impacts and mitigation, environmental costs, and staffing, consultant, and other project administration "soft" costs. Agency staff should draft a "checklist" of all possible cost categories culled from past project files, and review the list with LBRA management, Agency consultants, and other city resources to ensure that all possible cost elements are included.

- **Implement a Project-Level Investment Policy**
  Although the LBRA generally achieves good leverage on its investments (LBRA funds are matched with other public or private funds), in some cases the Agency incurs a disproportionate share of the project costs (and/or risks). The investment policy should be tied to overall financial goals set by the LBRA Board.

  - Cover Key Investment Topics. The elements of this policy, which could vary by project type, location, or other factors, might include:

    - Minimum leverage threshold -- the maximum share of total costs that would be incurred by LBRA;

    - Target investment return – desired financial returns to LBRA relative to LBRA's investment;

    - Target public benefits -- desired financial and other economic returns to City relative to LBRA's investment;

- Grants versus loan – when should LBRA provide outright grants and when should repayment be expected; and

- Investment ceiling – maximum amount LBRA would invest in any one project or Project Area.

  o <u>Design the Policy to Help Choose Among Investment Alternatives.</u> The investment policy should provide a "screen" that would help the LBRA make judgments about different investment alternatives. This would increase the efficiency of project evaluation, and help set expectations when negotiating with project stakeholders.

Adopting these policies would also encourage other desirable outcomes. For example, the minimum leverage threshold would encourage LBRA to aggressively pursue other public and foundation funding sources to supplement scarce Agency funds. The target returns should encourage the Agency to pursue catalytic and financially feasible projects. The "grant versus loan" policy could help ensure that projects are not over-subsidized and that the Agency shares appropriately in very successful projects. Finally, the investment ceiling would encourage the Agency to spread its resources and not focus too much on any one project or area.

- **Manage Risks (As Well As Costs)**
  Identifying and quantifying project and financial risks should be a greater part of the project review process. Mature city development is an inherently risky business, particularly in distressed neighborhoods. However, LBRA documents reveal a pattern of misunderstood risks where either the Agency or one of its partners is stuck with unanticipated expenses (e.g., Los Altos, CityPlace). More attention should be spent on anticipating potential risks and preparing contingency plans.

- **Build Appropriate Staff Expertise**
  Too often projects costs are underestimated because some cost items are forgotten or under-budgeted, or because consultant reports are accepted uncritically. LBRA must ensure that every project has the appropriate subject matter experts preparing estimates and reviewing consultant reports. Such expertise is essential for reliable projections and effective negotiating with private parties. This expertise needs include, at a minimum:

  o Engineering -- to ensure that infrastructure requirements are appropriate;
  o Financial/Appraisal -- to review deal terms, acquisition costs, etc.;
  o Cost estimating – to ensure that individual project costs are properly estimated; and
  o Budget – to ensure that all relevant cost categories are included.

If the requisite expertise is not resident on the Agency staff, either additional staff should be hired, or the Agency should solicit "second opinions" from trusted advisors. Although more expensive in the short term, such investments can be invaluable in terms of saved project costs and more informed decision making.

D. Project Timing and Phasing

1. Conclusions

Redevelopment projects are generally complex and often involve multiple unknowns and interactions with multiple agencies, making it difficult to anticipate how long they will take to complete. Nevertheless, prompt and timely completion of projects is vital for City Council, PAC, and public understanding of and support for the LBRA. The Project Timing and Phasing scorecard assesses the LBRA's ability to design, approve, and complete redevelopment projects as promptly as possible, recognizing the inherent complexities of many redevelopment efforts. Based on our case study evaluation and comparison with other cities and industry best practices, we conclude that Long Beach's performance in this area is average to good, with an average score of 3.7 out of 5. There is, however, considerable variability among the individual indicators of success.

Serious project delays appear to be relatively isolated, but moderate avoidable delays during project conception/planning and during construction were too frequent in several of the case studies. False starts with selected private developers or project contractors also occurred with some frequency. To be fair, several project timing missteps were often beyond the LBRA's or redevelopment staff's direct control, such as contractor selection on public facility projects in the case-study parks. The general public, however, has great difficulty discerning this distinction of roles and responsibilities, and finds it much easier just to blame LBRA for any project delays.

2. Recommendations

Based on the foregoing areas we have identified for improvement, we recommend that LBRA adopt the following corrective actions:

- **Manage Pro-Actively to Avoid Time Delays**
  The case study process has produced several insights as to the causes of timing delays, and the LBRA should act pro-actively to avoid those types of delays in future projects.

  - <u>Learn from Past Project Delays</u>. Institute post-project analysis of project timing, clearly identifying where the process was most efficient and where delays occurred, if any, as well as each instance where performance diverged from previously adopted timelines.

  - <u>Communicate Responses to Timing Delays</u>. Following analysis of project timing delays, LBRA should share the results, as well as the Agency's proposed response to the delays, with City Council, the PACs, and the public. Where the Agency identifies recurring causes of project delay, it should develop an internal management strategy to anticipate and avoid those types of delays in the future, if possible.

  - <u>Adjust Future Project Timelines</u>. Based on past performance, LBRA should refine its future timelines to ensure that anticipated times for each step reflect "reasonably expected" versus "hoped for" timeframes.

o Ensure Adequate Agency Staff to Handle Project Load. LBRA should ensure adequate agency staffing resources prior to taking on new projects. Based on experience with successful past projects, each LBRA project area "team" should be staffed with a minimum of one overall project area manager, one senior analyst assigned to the day-to-day management of each project, and one research associate to support all senior analyst team members.

o Maintain Standardized Project Records to Allow Smooth Transitions When Staffing Changes. Staffing turnover appears to be a predictable fact within LBRA.   Changes in LBRA project management and staffing mid-stream through a project may be unavoidable, but more systematic staff record-keeping and project status reporting would help ease the transition and provide new staff with the necessary information to more quickly come up to speed.

- **Select Developers with Proven Track Records**
  One common source of timing delays is the selection of developers that have either no track record or only a limited track record in producing the type of project required. This potential source of delay can be addressed through more rigorous screening and more emphasis on experience in the project and developer selection process.

  o Be Rigorous In Selecting Developers and Contractors. LBRA should ensure that all developers/contractors have significant expertise in the specific project requirements and specifications. References should be thoroughly researched to ensure excellent past performance regarding quality and timing of performance.

  o Adjust Project Timetables for Inexperienced Developers, if Necessary. Project time tables, including anticipated project completion dates, should consciously account for the learning curves of less-experienced developers, as applicable.

  o Conduct Market Studies Early To Inform Developer Selection.   Where a proposed project has high levels of City Council and public support, LBRA should conduct market studies simultaneously with a blight study, or before announcing a major project initiative, to ensure a thorough understanding of market opportunities and constraints prior to soliciting and choosing a developer.

E. Public Involvement and Communications

1. Conclusions

The Public Involvement and Communications scorecard assesses the LBRA's ability to comprehensively and thoughtfully communicate to the public information about redevelopment in general, as well as information about specific projects that are proposed or under construction. It also assesses the quality of the LBRA's efforts to actively involve members of the public in specific redevelopment activities, including but not limited to engaging project area committees (PACs) to the extent possible. Based on our case study evaluation and comparison with other cities and industry best practices,

we conclude that Long Beach's performance in this area is average, with an average score of 3.4 out of 5. There is still room for improvement across virtually all the individual indicators of success in this very important area.

Both the LBRA board and staff have noticeably improved their public communication and outreach efforts during the past five years. In particular, the board's and staff's relationships with the PACs, with the possible exception of the West Side PAC, have improved significantly in recent years. Too often, however, public outreach stops with the PACs and fails to reach other members of the affected and interested public. The LBRA's public involvement efforts are particularly mixed in those redevelopment areas that do not have PACs in place, or where questions exist whether the PACs are fairly representative of an area's diverse interests.

2. Recommendations

As discussed in Part II above, LBRA should work to strengthen and broaden the existing PAC system, to ensure that the PACs are as representative as possible, and to extend public involvement significantly beyond the PACs themselves. (See Section II.B). More detailed suggestions on this topic are set forth below.

- **Build Strong Relationships Between the PACs, the General Public, and LBRA Project Managers**
  The LBRA should make a strong commitment to keep staff regularly engaged with PACs and other public community groups, and should continue its practice of having the project area manager attend, at a minimum, the monthly PAC meetings. To strengthen the relationship between senior LBRA staff and PAC leadership, the Redevelopment Bureau Manager and/or other senior redevelopment staff should conduct monthly or quarterly meetings with the chairs of the PACs to improve communications and to encourage shared information and education.

- **Maintain Strong Relationships Between the PACs and the LBRA Board**
  While these relationships have improved significantly in recent years, with one exception, LBRA should make additional commitments to keep the Agency board active, visible, and accessible to community organizations and the public. We recommend the following actions toward this end:

  o Ensure LBRA Board Actions are Transparent to PACs and Others. Consider rotating the location of some of the regular LBRA Board meetings to forums within the different project areas or to specific project sites. Consider having some LBRA Board meetings in the evening, and some in the morning, to allow broader citizen participation.

  o Encourage PAC Membership to be as Inclusive and Representative as Possible. The Agency should work closely with PACs to ensure that they are truly representative of the project areas they represent, and to avoid domination of the PAC by a few strident voices or strong personalities, or by a few persons over a long period of time.

  o Take Action when PACs are Not Representative. Where the Agency or the City Council determines that an elected PAC is not representative of interests in the project area, the Agency or City Council should either encourage the

PAC to broaden its representation or move to a hybrid PAC structure in which some members can be appointed by the Agency or City Council to make the group more representative.

o   Adopt Policies and Standards for PAC Engagement. LBRA should develop guidelines for PAC governance and responsiveness in order to ensure a smooth working relationship between the PAC, the Agency, and City Council, and to ensure that PACs do not become compromised by conflicts of interests.

- **Seek Broad Public Involvement Beyond PACs**
  The LBRA should ensure that public notification and involvement efforts do not rely solely on PACs, but also include other neighborhood organizations and the residents surrounding project areas, and should work closely with City Council members to identify key individuals and organizations to notify.

  o   Implement Expanded Public Notification. Special attention should be given to descriptions of public notification and outreach activities in the project selection process. More specifically, the mechanisms for public notification and engagement should be described in some detail, and LBRA and City Council should confirm that that these procedures are adequate to notify not only the PAC (if any) in the project area, but also other neighborhood organizations and the public residing or owning property near the proposed project(s).

  o   LBRA Project Managers Should Reach Beyond the PACs. LBRA project managers should work closely with City Council members to ensure that non-PAC groups, community businesses and residents are kept informed about upcoming projects, and about the status of approved projects, on an on-going basis.

  o   Consult Before Applicant Invests Funds in Project Design. Whenever possible, initial discussions with the pubic and PACs should occur before applicant funds are invested in design/renderings, and should not be structured as events to build public support for a project the applicant or the LBRA have already decided to pursue.

- **Create a Wide-Ranging Public Information and Education Program**
  Because public perception of redevelopment activities can be strongly influenced by positive or adverse publicity surrounding a recent project, the Agency should communicate the cumulative results of past redevelopment activities to the public on an on-going basis and independent of the public notification procedures required for individual projects. LBRA should also invest in the on-going education of PAC members and the public regarding the legal constraints on redevelopment in general and the fiscal constraints on redevelopment within the project area, so that the PAC and others may make informed decisions and recommendations. To do that, the LBRA should take the following specific actions:

  o   Dedicate Staff Time to Public Information. The LBRA should complete its initiative to hire a new public information/public relations staff person devoted to redevelopment communications.

o   <u>Ensure a Broad Array of Public Information/Education Initiatives</u>.   The public information program should be wide-ranging in scope, and should include several forms of communication and interaction, such as electronic newsletters, interactive comment features on the agency's website, community charrettes, speakers' bureaus, mass mailings, press releases, ground-breaking and project opening ceremonies, neighborhood "meet and greet" events, extended office hours, slogan contests, town hall forums, agency participation in community events and festivals, annual reports for public consumption, local media advertising for meetings and events, press briefings, and signs identifying the LBRA as project sponsor or funder at all LBRA project sites during the construction phase.

o   <u>Provide Targeted Training and Education to PAC Leadership and Members</u>. LBRA should support good leadership in the PACs through member training and leadership mentoring on at least an annual basis.

o   <u>Consider Using PACs to Build Broader Neighborhood Support</u>. The LBRA should assist PACs to strengthen their credibility by encouraging participation by a broader group of citizens in order to increase the likelihood that the PAC's recommendations and decisions will reflect broad-based redevelopment desires rather than narrow or historical agendas.

o   <u>Communicate Realistic Project Timeframes</u>. There is significant public and PAC confusion about who is ultimately responsible for the timing of public facilities (parks, police stations) funded by redevelopment dollars. LBRA and other city leaders should educate PACs and the public about the realities of redevelopment project design and financing, realistic timeframes for completion, and the fact that delays often occur due to unforeseen causes.

o   <u>Communicate Project Results to the Public at Several Points in Time</u>. The LBRA should effectively communicate the status and results of current projects to the public and key constituencies to encourage project and program support as well as to change community perceptions. The LBRA should keep the public informed before, during, and after project construction regarding the status of those projects, estimated times of completion, and anticipated jobs and economic growth benefits.

o   <u>Adopt Annual Targets and Measure Performance Against Them</u>. The LBRA should adopt annual targets for numbers of communications, numbers of meetings, and percentage of the public reached through public information efforts unrelated to specific projects, and should measure its performance against those targets.

F. Internal Management and Evaluation

1. Conclusions

Long Beach could not have completed the long list of successful redevelopment projects that it has if the LBRA did not have generally effective staff and management practices in place. However, our reviews in the preceding sections indicate that there are numerous

areas for improving Agency performance. The Internal Management and Evaluation scorecard assesses the LBRA's general ability to complete redevelopment projects as efficiently and effectively as possible, given the constraints of law and the need for considerable public transparency and scrutiny. Achieving internal efficiency requires communicating clear understandings of roles and responsibilities; coordinating interdepartmental staffing closely; involving all design, construction, and maintenance agencies early in the design process; reviewing projects according to well-communicated, objective standards; and containing administrative "soft costs." Self-evaluation means regularly and objectively evaluating LBRA project and program performance. Based on our case study evaluation and comparison with other cities and industry best practices, we conclude that Long Beach's performance in this area is generally average, with an average score of 3.3 out of 5.

The LBRA has already begun responding to some of the problem areas identified in this report by improving inter-departmental coordination, by further streamlining the design review process, and by moving toward a more accountable, performance-based budgeting system. The recommendations below address areas in which LBRA's performance can be further improved.

2. Recommendations

- **Review and Revise Content of Existing Operating Plans**
  While the LBRA already prepares numerous planning documents to guide its activities, most of these appear to be geared towards compliance with state reporting mandates. The Agency should review those plans, as well as annual performance and budgeting documents, to ensure that they incorporate the strategies listed below for improvement of Agency operations. This review should ensure that those existing plans address:

  - o Recruitment and training of skilled project managers;
  - o Adequate project staffing;
  - o Improving cross-departmental collaboration on project planning and implementation;
  - o Developing realistic project cost estimates;
  - o Setting realistic project timelines; and
  - o Other actions necessary to respond to the Independent Study recommendations.

- **Improve Efficiency and Effectiveness of Project Management**
  LBRA can improve the effectiveness of its project managers by taking the following actions:

  - o <u>Provide Expanded Training in Related Disciplines for Project Managers</u>. LBRA should ensure that all current and future project managers are cross-trained in the disciplines essential to successful project implementation, including real estate development and finance, architecture, business, construction, urban planning, and public outreach/facilitation. LBRA should take full advantage of "in-house" expertise within the Agency as well as in other city departments.

  o <u>Better Equip Project Managers to Scrutinize Developers' Financial Information.</u> LBRA project managers must regularly and consistently test a private developer's financial pro forma to ensure the project stays on track. This capability should be built in-house through specialized real estate finance qualifications for project manager positions, or should be referred to outside consultants.

- **Evaluate Project and Program Performance**
  LBRA should incorporate performance evaluation into its programs and activities on an on-going basis. Performance evaluations should also be built into the five-year implementation plan process, so that future actions are based, and revised as necessary, to build on past performance. This evaluation should be based on a consistent series of pre-established criteria, targets, and methodologies, preferably specialized for different types of projects (e.g., a park project would not be reviewed in the same fashion, and with the same targets, as a shopping center).

  o <u>Evaluate and Document Blight and Distress Impacts of Past Projects</u>. LBRA should complete an objective analysis of its current project portfolio and determine what share of new projects in each project area need to be revenue-producing to meet current debt payment obligations. In addition, LBRA should analyze what specific types of public facility or infrastructure projects completed to date have produced documented increases in surrounding property values or success in negating indicators of physical blight or social distress (e.g., reduction in crime rates). These analyses should be discussed with both the City Council and the PACs as part of joint planning efforts, and should be pro-actively communicated to the public.

- **Conduct Cost-Benefit Analysis**
  Understanding the economic benefits and financial impacts of its investments and projects is essential for a multitude of LBRA functions. By carefully tracking project economics and finances over time, the Agency can use this feedback from past projects to improve its planning and estimating of future projects. Finally, and most importantly, cost-benefit analysis is essential for informed decision making. Only when the Agency fully understands the likely impacts of its investments and plans can the Board, City Council, and other decision makers allocate funds strategically.

  o <u>Institute a Program of Post Completion Project Assessments</u>. The LBRA should institute a policy of conducting periodic post-completion project assessments, as is standard in most private- and public-sector development settings. At a minimum, the analyses should track ongoing LBRA costs, revenues that accrue to both the Agency as well as to City coffers, and economic indicators such as property values, retail sales, jobs (by type), business formations, and the like. For future investment decisions, net present value calculations of past projects also should be undertaken (and updated periodically as new information becomes available) to compare financial returns to the original Agency investments and ongoing expenses.

  o <u>Require Reporting of Job Number and Quality Data</u>. Job creation is fundamental to redevelopment, and not all jobs are alike. Citizens are increasingly concerned about the quality of jobs created, not just the number. Since detailed job creation data requires primary data collection, the LBRA

should include in its DDAs a requirement that its developer partners collect this information from their tenants.

- **Implement Performance-Based Budgeting**.
  The Agency's imminent adoption of performance-based budgeting is an important step toward quantifying the "success" of individual redevelopment projects, as well as overall agency efficiency.

- **Maintain Clear Statements of Roles and Responsibilities**
  There are currently significant misunderstandings of roles and responsibilities among the City Council, the LBRA board, Agency staff, PACs, and the public.

  o <u>Develop Overall Role and Responsibility Statements</u>. With regard to redevelopment in general, the LBRA board and the City Council should maintain clear statements of their respective roles and responsibilities, as well as those of redevelopment staff, PACs, and other advisory bodies. These descriptions of roles, responsibilities, and reporting requirements should be distributed to staff, PACs, and all stakeholders in the redevelopment process.

  o <u>Communicate Project Roles and Responsibilities</u>. With regard to individual projects, the LBRA should likewise document and communicate clear statements of the role of the LBRA in the project and which other departments or agencies will be responsible for discrete portions of the work. The case studies demonstrate that although the Agency has made errors that delay project completion, there are also cases in which the errors were made by partner agencies that were understaffed or over which LBRA had little control.

- **Coordinate Inter-Departmental Staffing Closely**
  There have been significant improvements in coordination among LBRA, Public Works, and the Parks Department in the past few years. The LBRA staff should continue to coordinate its efforts with other city departments and public agencies involved in project implementation, and should focus in particular on the following areas:

  o <u>Decide Up-Front Which Agency Should Lead</u>. For public facility projects, LBRA should facilitate very early discussions with Public Works, Parks, and other involved departments and agencies to decide who should lead the process and how they the agencies will interact. The recent Memorandum of Understanding (MOU) between LBRA and Public Works for the North Long Beach street improvements is a good model that spells out clearly each agency's responsibilities, resulting in relatively expeditious progress to date.

  o <u>Involve Project Engineers Early in Public Facility Projects</u>. LBRA should have key engineering personnel review early project designs and construction cost estimates, so that problems are caught before they become embedded in project assumptions, where they may cause significant time delays or cost overruns. Alternately, LBRA might consider Public Works' recent suggestion that the Agency halt all use of the city engineer's staff and, instead, take on all engineering, construction, and design management roles through LBRA staff or consultants. A shift to this type of model, however,

might require additional LBRA staff with engineering and/or construction management expertise to supervise and assure the quality performance of consultants.

o   Involve all Design, Construction, and Maintenance Agencies Early.   The LBRA should ensure that all city departments and agencies responsible for bidding, design, construction management, or maintenance of a facility developed with redevelopment funds are involved in early review of project designs and specifications (preferably immediately following conceptual review and comment by the PACs) in order to avoid later delays caused by conflicting requirements of different departments.

o   Use "Master" or "Programmatic" Environmental Reviews Where Possible. Continue to explore, whenever possible, opportunities for preparing "master" environmental impact statements for entire project areas (or sub-project areas) so that individual project environmental review can be expedited.

o   Use Public Works Job Order Contract Process When Possible.   The fastest and smoothest recent redevelopment park project is Daryle Black Park, which was completed by the LBRA in close partnership with the Administration, Planning and Facilities Bureau using the Job Order Contract Process.   Opportunities to use this same system and teaming should be expanded.

- **Integrate Urban Design Review Based on Objective Standards with Clear Timetables**
  The new LBRA Board design sub-committee (formed in March 2004), and the recent Planning Bureau practice of inviting "outside architects" to participate in the Planning Bureau's site plan review of projects, appear to be working at cross-purposes and causing delays. LBRA should ensure that urban design reviews of proposed redevelopment projects are based on objective, written design standards or examples, and should be completed within defined time periods. More specifically, the Agency should consider the following actions:

  o   Employ a City Urban Designer/Architect.   The LBRA and the Planning Bureau should hire a city urban designer/architect, as the Agency has already proposed, and use that individual (rather than the LBRA Board design sub-committee) to review urban design and architectural redevelopment projects.

  o   Adopt Objective Design Standards to Reduce Uncertainty.   To reduce uncertainties in the design review process, Long Beach should consider adopting more objective design standards to guide the process and give applicants clearer direction about the city's design preferences.   Design standards should be adopted in written documents and should include numerous illustrations, photos, and graphic examples to help applicants navigate the design process more easily.

  o   Clarify Agency Policy Regarding Preservation of Historic/Cultural Resources.   LBRA should adopt a clear policy, in harmony with city-wide

goals and objectives, regarding preservation and adaptive reuse of historic and cultural resources in redevelopment projects.

- **Contain Administrative Expenses**
  Resource constraints require that all public and quasi-public agencies be increasingly vigilant about controlling costs, particularly "soft" costs that are more within the Agency's control. While the LBRA's overall 16.0% administrative expense ratio between 1999 and 2003 is not unreasonable *per se*, comparison with other cities suggest that improvements are possible.

IV. Action Plan

This Action Plan prioritizes implementation of the recommendations listed in Part III. Out of more than 60 recommendations, we have chosen to focus on 25 that should be undertaken soon. The action plan is designed to encourage the LBRA to make significant forward progress in improving its performance in key areas in as short a time as possible to build credibility with the public for its efforts and to create momentum for both fundamental and continued changes.

Provoking significant changes from past practices is challenging in any large institution. Different approaches work well in different institutions, and in the same institution at different times. Based on the Independent Study of the LBRA, we recommend that the Agency's approach to change at this time be based on the following three principles:

- **Think Big:** The LBRA should identify at least one of the five focus areas (for example, Project Selection and Prioritization, or Public Involvement and the PACs) to make a dramatic (and visible) push for strategic reform and improvement over the next year. The identification of this key area may need to await the arrival of the incoming new Community Development Director.

- **Build Early Success:** Identify, implement, and publicize some changes in each of the five focus areas over the next year, in order to achieve some early successes, to establish an expectation of change, and to ensure that no key area is ignored. This approach is embedded in the table of Category I and Category II changes below.

- **Publicize Success:** Begin immediately to publicize activities and projects that the LBRA is doing well, as well as the Agency's long track record of successful projects. Greater public understanding of the LBRA and its role and history will result in greater support both inside and outside the City.

The Action Plan below creates a two-tiered strategy for action, but leaves the identification of a major strategic reform topic for arrival of the new director.

"Category I Recommendations" are concrete steps the Agency can reasonably complete within one year. The Category I designation is **not** based on how important these recommendations are to achieving fundamental changes in the LBRA's performance (i.e., they do not represent the most important changes that should be made). Rather, the Category I designation indicates steps that can effect positive change quickly and begin to respond to long-standing public criticisms without the need for further studies, while also building momentum towards more fundamental changes possible over the longer run.

"Category II Recommendations" are those steps the Agency should take after it implements several of the Category I recommendations. Some of these steps may require more focused study and evaluation before they can be fully implemented, or may require more significant Agency investments of time and financial resources. The Category II recommendations are not simply the "left over" Part III actions that were not included in Category I. They are a smaller subset of the Part III recommendations prioritized as appropriate for the next round of action.

Within both categories of recommendations, the LBRA Board and senior management should have the freedom and flexibility to prioritize which the specific actions are taken to accommodate competing Agency demands and available staff resources. In addition, Long Beach is about to hire a new Community Development Director, and that individual should have the flexibility to revise this Action Plan. We fully expect the City and the LBRA to provide the new Director the fullest opportunity to respond to this Independent Study and proposed Action Plan with his or her own perspectives and suggestions about which steps to take first and which to take later.

We strongly suggest that the LBRA board and staff begin by establishing specific benchmarks for what they believe is achievable within Category I during the first year of implementation, and then during subsequent years for the remainder of Category I and Category II actions, and to distribute those expectations to City Council, the PACs, and the public. In this way, the LBRA will create the opportunity not only for objective self-evaluation but also greater public accountability.

ACTION PLAN FOR IMPLEMENTING THE INDEPENDENT STUDY RECOMMENDATIONS	
Category I: Implement in 1 Year **Category II: Implement After Category I**	**PAGE #**
PROJECT SELECTION AND PRIORITIZATION	
CATEGORY I RECOMMENDATIONS	
Strengthen the shared vision guiding redevelopment agency and elected officials: ▪ Identify and address discrete areas where the shared vision has broken down, and ▪ Conduct more frequent joint City Council/LBRA board work sessions; and ▪ Expand communications with Council offices about district priorities.	p. 15
Select projects of strategic importance to blight removal and economic development, while balancing strategic and neighborhood-serving projects: ▪ Clarify criteria for funding infrastructure and public facility projects.	p. 16
CATEGORY II RECOMMENDATIONS	
Strengthen the shared vision guiding redevelopment agency and elected officials: ▪ Conduct joint public hearings on key plans and amendments.	p. 16
PROJECT FINANCING	
CATEGORY I RECOMMENDATIONS	
Adopt project templates to improve accuracy of cost estimates.	p. 18
CATEGORY II RECOMMENDATIONS	
Enhance financial and information systems to allow project-level reporting and evaluation	pp. 17-18
Implement a project-level investment policy.	pp. 18-19
PROJECT TIMING AND PHASING	
CATEGORY I RECOMMENDATIONS	
Manage pro-actively to avoid time delays: ▪ Learn from past project delays; ▪ Communicate responses to timing delays; and ▪ Adjust future project timelines.	p. 20
CATEGORY II RECOMMENDATIONS	
Select developers with proven track records: ▪ Be rigorous in selecting developers and contractors; and ▪ Conduct market studies early to inform developer selection.	p. 21
PUBLIC INVOLVEMENT AND COMMUNICATIONS	
CATEGORY I RECOMMENDATIONS	
Maintain strong relationships between the PACs and LBRA board: ▪ Encourage PAC membership to be as inclusive and representative as possible.	p. 22
Seek broad public involvement beyond the PACs: ▪ Implement expanded public notification.	p. 23
CATEGORY II RECOMMENDATIONS	
Create a wide-ranging public information and education program: ▪ Dedicate staff time to public information; ▪ Ensure a broad array of public information/education initiatives; and ▪ Provide targeted training and education to PAC leadership and members.	pp. 23-24

ACTION PLAN FOR IMPLEMENTING
THE INDEPENDENT STUDY RECOMMENDATIONS

Category I: Implement in 1 Year Category II: Implement After Category I	PAGE #
INTERNAL MANAGEMENT AND EVALUATION	
CATEGORY I RECOMMENDATIONS	
Maintain clear statements of roles and responsibilities ▪ Develop overall role and responsibility statements; and ▪ Communicate project roles and responsibilities.	p. 27
Conduct Cost-Benefit Analysis ▪ Institute a program of post completion project assessments ▪ Require reporting of job number and quality data	p. 26
Integrate urban design review based on objective standards with clear timetables: ▪ Employ a City urban designer/architect	pp. 28
CATEGORY II RECOMMENDATIONS	
Evaluate project and program performance ▪ Evaluate and document blight and distress impacts of past projects.	p. 26
Integrate urban design review based on objective standards with clear timetables: ▪ Adopt objective design standards to reduce uncertainty.	p. 28

ADDENDA
TO CONSOLIDATED FINAL REPORT, VOLUME 1

Definitions of Success

Sources of Information – Interviews and Project Area Documents

Financial Reference and Resource Documents

General Reference and Resource Documents

I.   Definitions of Success

A. Improving Quality of Life in Long Beach (Economic and Social Impacts)

- Removing Blight – The design and development of projects should address both the physical and economic causes of blight, as defined in California statutes.
- Promoting Economic Development – The design and development of projects should result in substantial economic benefits for the city.
- Providing Affordable Housing -- Redevelopment agency activities should provide substantial amounts of affordable housing, as required by California law.

B. Operating an Efficient and Effective Redevelopment Agency

- <u>Project Selection and Prioritization</u> -- Projects should be selected and prioritized through a process that respects the wishes of the public while ensuring that redevelopment funds are used efficiently and maximizing the likelihood of success in achieving Quality of Life goals.
- <u>Timing of Project Approval and Completion</u> -- Projects should be reviewed, approved, and completed in the least possible time consistent with requirements of California law and an effective public involvement process, in order to reinforce the perception of Long Beach as a good place to do business.
- <u>Efficiency and Effectiveness of Agency Operations</u> -- The Agency should use available resources very efficiently and effectively throughout the project design, review, selection, and implementation processes.
- <u>External Communication and Public Involvement</u> -- The Agency should ensure that its procedures allow and encourage participation by all members of the public, convey clear and accurate messages to the public throughout project design and implementation, and reflect public desires into its project design and prioritization.

II.   Sources of Information – Interviews and Project Area Documents

A. Task 2.2 Individuals Interviewed

- Christine Andersen, Public Works Director, City of Long Beach
- Pat Parris Appleby, Chair, Central PAC
- Dan Berns, Chair, West PAC
- Carolyne Bihn, Zoning Administrator, Zoning and Development Services Division of the Long Beach Planning Bureau
- Vida Brown, Public Arts Director, Public Corporation for the Arts
- Lou Anne Bynum, President, Long Beach Chamber of Commerce
- Mark Christoffels, Long Beach City Engineer
- Karen Clements, Long Beach Heritage board member
- Del Davis, Manager, Administration, Planning and Facilities Bureau, Long Beach Public Works Department
- Jeff DuChateau, Long Beach Chamber of Commerce, George Economides, editor, Long Beach Business Journal
- Jeannette Gavin, east Long Beach resident
- Otis Ginoza, Redevelopment Administrator, Long Beach Redevelopment Agency
- Jeff Henderson, Executive Director, Bixby Knolls Business Improvement District
- Phil Hester, Director, Long Beach Parks, Recreation and Marine Department

- Barbara Kaiser, Redevelopment Bureau Manager, Long Beach Redevelopment Agency
- Kraig Kojian, CEO, Downtown Long Beach Business Association
- Ed Ludloff, former Long Beach planning commissioner
- Heather Mahood, Assistant City Attorney (LBRA General Counsel), City of Long Beach
- Lee Mayfield, Project Officer, Long Beach Redevelopment Agency
- Ana Mendiola, Parks Development Officer, Park Department, Planning and Development Bureau
- John Morris, downtown business owner
- Maureen Neeley, Redevelopment Liaison for Long Beach Heritage
- Les Robbins, former City Council member
- Martha Thuente, Chair, North PAC
- Ellie Tolentino, Housing Operations Office, Long Beach Housing Development Company
- Joan Van Hooten, Executive Director, Public Corporation for the Arts

B. Task 3 Individuals Interviewed

- John Andrews, Redevelopment Manager, PCDC (Pasadena)
- Lisa Bates, Community Development Director, SHRA (Sacramento)
- Dan Bobrowski, Development Services Director, SHRA (Sacramento)
- Richard Bruckner, Director of Planning and Development, PCDC (Pasadena)
- Hank Cunningham , Director of Community & Economic Development, SDRA (San Diego)
- Gregory Hunter, Assistant to the Director (Oakland)
- Jim Lobue, Community Development Coordinator, SDRA (San Diego)
- Ann Moore, Executive Director, SHRA (Sacramento)
- Jay Musante, Urban Economic Analyst, CEDA (Oakland)
- Maureen Ostrye, Acting Deputy Director, SDRA (San Diego)
- Julie Rawls (Portland) Public Affairs Communications Coordinator, PDC (Portland)
- John Southgate, Development Manager, PDC (Portland)
- Tricia Stewart, Redevelopment Planner, SHRA (Sacramento)
- Cheryl L. Twete (Portland) Interim Director of Development, PDC (Portland)
- Wyman Winston, Deputy Director, PDC (Portland)

C. Central Project Area – Resource and Reference Documents

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- Long Beach Boulevard Mixed-Use Site Market Feasibility Study, KDG Consulting, March 1993
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- **American Marketplace**, Guide to Development
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- ULI Resources, Planning/Design, Census Data
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- Long Beach Boulevard Assessor Maps
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- Central Project Area – **Re-Adoption Public Hearing**, February 20, 2001
- CRA Award of Excellence 2002 – **Renaissance Walk**
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- **Redevelopment Plan** for the Central Long Beach Redevelopment Project
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- Preliminary Report for the Proposed **Re-Adoption of the Central Long Beach Redevelopment Project**, Keyser Marston Associates, October 2000
- Report to the City Council for the Proposed **Re-Adoption of the Central Long Beach Redevelopment Project**, Keyser Marston Associates, December 2000
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- Willmore City, **Preservation Development Initiative – Willmore City Heritage Association**

D. Downtown Project Area – Resource and Reference Documents

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- **Pine Avenue Theatre Project** Volume II, Janss/Tys LB Associates, Ground Lease, Theatre Offsite Parking Agreement by and between Agency and AMC, Summary Report for Downtown Theatre/Mixed-Use Project and Re-Use Analysis, Pine Avenue Theatre/Mixed-Use Project Block 88
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- Market Study and Historic Preservation Analysis for the **Promenade Study Area**, February 1995
- Initial Study and Mitigated Negative Declaration, Appendix B to the Report to the City Council on **4th Amendment to the Long Beach Downtown Redevelopment Plan**, June 29, 1998
- **Retail Commercial Marketing & Economic Analysis**, Downtown Redevelopment Project Area, Status Report, Presentation Exhibits, Linda S. Congleton & Associates, August 15, 1994
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- Addendum #1 to Final Supplemental EIR
- **Water Department Participation in Financing**, Long Beach/405 Retail Center Redevelopment Project, December 1992
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- **Revitalization Strategy for Bixby Knolls**, Retail Market Analysis & Economic Enhancement Strategies, April 1993
- **Preliminary Report on the Redevelopment Plan** for the North Long Beach Redevelopment Project, March 1996
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III.   Financial Reference and Resource Documents

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